Year of scandals *Corruption around the world* Page 4

Winners and losers *Review of the year* Pages 8 and 9

TOMORROW'S **Weekend FT** War and Peace: ... for 1995

FINANCIAL TIMES

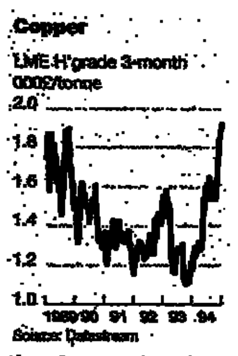
Europe's Business Newspaper | FRIDAY DECEMBER 30 1994 | D8523A

Fininvest set to sell supermarkets to Benetton alliance

Fininvest, Italy's second largest private business group, owned by out-going prime minister Silvio Berlusconi, is due to announce today a L950bn ($576m) sale of Euromercato supermarkets, part of its stores and retailing division, to a consortium of the Benetton clothing group and Luxottica, the spectacles producer. Page 15; Italian parties take hard line in government talks, Page 2

Weak dollar hits European markets: European financial markets were depressed by the combination of a weaker dollar and US government bonds. UK government bond prices fell by nearly two percentage points and German bunds were also lower. Spanish markets hit again, Page 14; London stocks, Page 23; Currencies, Page 28; World stocks, Page 29

Copper reaches six-year high



Copper prices, already boosted by strong industrial demand, traded at their highest for nearly six years in London as speculative buyers took advantage of thin end-of-year business to push the market above $3,000 a tonne. Prices touched $3,022, 2 per cent up from pre-Christmas levels and the highest since April 1989, before closing at $3,012, up $18. Demand is forecast to grow by more than 3 per cent next year, but copper stocks should fall because no new mine or refinery output will be on stream until the second half of 1995. Commodities, Page 22

54 die in Turkish air crash: Fifty-four people died and 22 were injured when a Turkish Airlines Boeing 737 carrying mainly military personnel crashed into a mountain in heavy snow while trying to land at Van in eastern Turkey after a flight from Ankara.

Israel's economy beats OECD nations: Israel's economy outperformed all 24 Organisation for Economic Co-operation and Development nations in 1994, with a growth of 6.8 per cent in gross domestic product, the country's central bureau of statistics said. Page 5

China's oil output set to pick up: Crude oil and natural gas output from China's onshore oilfields will fall short of projections this year but rebound slightly in 1995, the country's top oil producer said. Page 5; China's foreign minister to visit UK, Page 3

'Confession' complicates pilot's release: An ambiguous "confession" signed by a US army helicopter pilot captured by North Korea could complicate efforts to secure his release, increasing prospects that Congress will try to block the recent US nuclear accord with North Korea. Page 3

Banesto to sell stake in Portuguese bank: Troubled Spanish bank Banco Español de Crédito is to sell its 50 per cent holding in Banco Totta e Açores of Portugal to Portuguese entrepreneur António Champalimaud. Page 15

Hochtief bid to raise holding blocked: Hochtief, one of Germany's largest construction companies, will not be allowed to increase its stake in Philipp Holzmann, its main domestic competitor, the federal cartel office said. Page 15

Second nuclear deal cancelled: A second German nuclear power station has decided not to send spent fuel to British Nuclear Fuels' Thorp reprocessing plant at Sellafield in north-west England and further cancellations may be on the way. Page 14

First Choice revamps alliance: First Choice Holidays of the UK abandoned two of the three strands of its strategic alliance with Germany's Westdeutsche Landesbank, which controls a 21 per cent stake in it. Page 16

Go-ahead for Cariplo's Rolo bid: The Bank of Italy has given the go-ahead for the L3,291bn ($2bn) bid for Bologna-based commercial bank Credito Romagnolo, launched by a consortium headed by Cariplo, Italy's largest savings bank. Page 16

Asian economies climb ladder: Hong Kong and Singapore have joined Japan in the top 10 of the world's richest economies in the latest World Bank listing. Page 3

US in driving seat: The US has overtaken Japan this year to become the world's top motor vehicle-producing nation for the first time since 1979, the US weekly Automotive News reports. Page 14

■ STOCK MARKET INDICES		
FT-SE 100:	3,065.6	(-30.2)
Yield	4.2	
FT-SE Eurotrack 100	1,327.46	(-19.43)
FT-SE-A All-Share	1,521.15	(-0.7%)
Nikkei	19,752.98	(+87.45)
New York: lunchtime		
Dow Jones Ind Ave	3,833.77	(-5.72)
S&P Composite	460.44	(-0.42)
■ US LUNCHTIME RATES		
Federal Funds:	5½%	
3-mo Treas Bills: Yld	5.634%	
Long Bond	96	
Yield	7.842%	
■ LONDON MONEY		
3-mo Interbank	6⅞%	(6½%)
Liffe long gilt future:	Mar 100½	(Mar 102⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$16.54	(16.44)
■ Gold		
New York Comex Feb	$384.1	(385.8)
London	$384.3	(382.0)

■ STERLING		
New York lunchtime:		
$	1.559	
London:		
$	1.5595	(1.5447)
DM	2.4183	(2.4309)
FFr	8.3527	(8.3999)
SFr	2.0469	(2.0522)
Y	155.451	(155.044)
£ Index	79.6	(79.5)
■ DOLLAR		
New York lunchtime:		
DM	1.55325	
FFr	5.3655	
SFr	1.3135	
Y	99.75	
London:		
DM	1.5507	(1.5737)
FFr	5.356	(5.438)
SFr	1.3125	(1.3286)
Y	99.68	(100.375)
$ Index	63.2	(63.7)
Tokyo close Y 99.93		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev80.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl.38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal	Esc[illegible]	Turkey	L30000
Germany	DM3.60	Lux	LFr65	[illegible]	Esc225	UAE	Dh12.00

Security chiefs say Chechen capital must be taken by January 15

Russians prepare Grozny push

By John Lloyd in Moscow

The Russian army is grouping for a final push into Grozny, the Chechen capital, in an effort to end a war that is straining the fabric of Russian society and threatening the stability of the administration.

General Pavel Grachev, the Russian defence minister, told the Interfax news agency yesterday that Russian forces would "push deep into the city to seize weapons and liquidate armed formations".

Commenting on the apparent contradiction between that intention and the statement by Mr Boris Yeltsin, the Russian president, that the city would not be stormed, Gen Grachev said it would not be a "storming in the classic sense, using all means at our disposal and launching an initial bombardment of shells and rockets for several hours".

According to the Moscow daily newspaper Nezavisimaya Gazeta, which printed what it said was the text of a report by Gen Grachev to the security council – the state body that oversees all security matters – on Monday, the council has agreed to take Grozny no later than January 15.

It was clear that the Russian military, in spite of continued stiff resistance, has advanced steadily and has largely blockaded the city – although a fight for the town of Argun, which commands the road from Grozny to the east and is still in Chechen hands, was raging fiercely.

Interfax said that General Dzhokar Dudayev, the Chechen president, had called for talks *without* preconditions – possibly a sign of growing desperation, although one that met no response from Russia.

The war continues to divide Russian politics and society. Having lost the support of Mr Yegor Gaidar, his long-time ally and former prime minister, Mr Yeltsin is now receiving his most vocal backing from Mr Vladimir Zhirinovsky of the neo-nationalist Liberal Democratic party.

Mr Zhirinovsky supplemented the president's call to the army to finish the job in Chechnya with an appeal of his own: "The motherland has called you at a difficult hour to fulfil your noble duty. The time of serious trial has come for Russia . . . as well as bandits, journalists and politicians are shooting you [the troops] in the back."

Leading editors of the liberal newspapers that oppose the war demanded an explanation from the president of his allegation that some of them were financed by Chechen money. At the same time, the government press service accused journalists of putting soldiers' lives at risk.

Mrs Elena Bonner, widow of the physicist and human rights campaigner Andrei Sakharov, resigned from the president's human rights commission saying that the conflict "marks a return to totalitarianism". Mr Emil Pain, an adviser to Mr Yeltsin who has been the most outspoken of the liberal-inclined aides, deplored the gap between the president's promise to end the bombing and the attacks that took place yesterday and the previous night.

That was also taken up by a spokesman for the French foreign ministry, in the sharpest comment yet from a major, non-Moslem foreign state on the war. The spokesman said that "contrary to what has been announced [by Yeltsin] we have observed that the fighting in Chechnya has intensified".

The new head of Russia's main privatisation agency said yesterday he was preparing to renationalise enterprises in the central sectors of the Russian economy – oil and gas, aluminium and the military-industrial complex. Mr Vladimir Polevanov, said it was essential to change the government's economic course and impose "strict state management of enterprises". He claimed the support of President Boris Yeltsin and "a part" of the government. Page 2

Threat to aid deal, Page 2

Unisys cuts 4,000 jobs in switch to information services

By Louise Kehoe in San Francisco

Unisys, the US computer company, is to cut about 4,000 jobs – about 8.5 per cent of its workforce – as part of a switch from the mainframe computer business to information management services.

The cuts will be made in Europe and the US, its biggest markets.

The company will take a fourth-quarter pre-tax charge of about $175m to $225m to cover the restructuring costs, which will depress net income for the period. In the fourth quarter last year, Unisys reported net income of $117.7m, or 53 cents a share, on revenues of $2.1bn.

In Europe, slowing sales of mainframe computers have dogged the company all year. Although the company has seen stronger demand among its European customers for desktop computers, those products carry a lower profit margin.

The restructuring will yield annual savings of at least $200m by the end of 1995. The company will continue to add resources in its growth segments, particularly in the services area where more than 2,000 new jobs have been created this year.

Mr James Unruh, Unisys chairman and chief executive, said: "The repositioning will focus on our European business, our worldwide equipment maintenance business and on product areas where . . . we have significantly improved our efficiency."

In March, Unisys appointed Mr Malcolm Coster, a former Coopers & Lybrand consultant, as head of its European operations to focus the business on growth opportunities.

Unisys returned to profitability in 1992 after three years of heavy losses. The company has been attempting to expand its information systems business to compensate for declining mainframe sales.

Mr Unruh said that in the second half of this year the company had achieved revenue growth in information services and in the sale of departmental computers and desktop systems. "However, a slowing in the traditional hardware sales and maintenance business and profit pressures in our European operations has led to a disappointing financial performance in 1994," he said.

Information management services represent 25 per cent of Unisys' total revenue, Mr Unruh said, making that its largest business sector. Sales of departmental and desktop computers are also increasing. "Our plans call for these growth

Continued on Page 14

Balancing act: an elderly woman makes her way cautiously along an earthquake-damaged road towards her daughter's house in the northern Japanese city of Hachinohe yesterday. Aftershocks and snow squalls hampered relief and repair efforts in the wake of Wednesday's tremor that killed three people – two of them in Hachinohe – and injured 267. Picture: Reuter

Airbus wins $1.8bn order in US as market picks up

By John Ridding in Paris and Andrew Baxter in London

Airbus Industrie, the European aerospace consortium, has won orders and options for 40 aircraft worth an estimated $1.8bn from International Lease Finance Corporation, the California-based aircraft leasing group.

The order, announced yesterday, is the biggest received by Airbus this year, and reflects the improvement in the international aircraft market after the sharp recession of the past few years.

An official at the four-nation Airbus consortium said: "It confirms that things are looking up, although there is still some way to go."

The deal caps a much better year for Airbus in its battle with Boeing of the US for airline orders. Before yesterday's announcement, Airbus had received more than 80 orders for its airliners this year, compared with 38 in 1993.

The two aircraft manufacturers have always disputed market share figures. But industry observers say they are running neck and neck in the number of firm orders this year, demonstrating the inroads that Airbus has made on Boeing's traditional dominance in the sector.

Boeing has won 111 orders this year, including seven for Air Berlin, the German charter operator, and one for Lufthansa, announced before Christmas.

ILFC is ordering 30 aircraft and taking an option for a further 10. The firm orders include eight A319s, 13 A320s and nine A321s. The options comprise three A319s, three A321s and four A320s.

All the aircraft have single aisles and are generally used for short and medium-haul flights. Deliveries will run from February 1996 until the year 2000.

Mr Jean Pierson, managing director of Airbus, said the deal reflected the confidence of ILFC in the single-aisle aircraft produced by Airbus.

ILFC, part of American International Group, the US insurance and financial services group, is the world's largest aircraft leasing company after GPA, the Irish aircraft leasing company rescued from collapse last year.

ILFC is the single largest customer of Airbus, which groups Aérospatiale of France, Deutsche Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain. Including yesterday's deal, it has 115 Airbus aircraft on order, while 40 others have already been delivered.

In recent years ILFC has also ordered about 300 Boeing aircraft, of which about 180 are still to be delivered. No ILFC officials were available for comment yesterday, but it is believed within the industry that ILFC may soon place another order with Boeing.

ATR, a French-Italian joint venture, is to sell five turboprop aircraft, worth an estimated $60m.

Mexican peso lifts on hopes for rescue of economy

By Ted Bardacke in Mexico City

The Mexican peso stabilised yesterday as investors were reassured by reports that an emergency economic plan would receive backing from leading industrial countries and international financial institutions.

President Ernesto Zedillo was expected to announce details of the plan late yesterday, when there were widespread reports on local financial markets that Mr Jaime Serra Puche, the finance minister, would be replaced.

Mexican reports suggested that the international backing could range from approval from the Group of Seven leading industrial nations of Mr Zedillo's proposals to a package of up to $10bn to ease fears over repayment obligations in the next few months.

US President Bill Clinton said he backed reform efforts in Mexico and was looking into "what we can do" to stabilise the peso: "It is something that I take seriously and we are looking at it very seriously. We're talking to the Mexican government about what we can do."

At midday, the spot rate for the peso was 4.925 to the US dollar, slightly up from Wednesday's close of 4.975, while the Mexican stock market was up 1.53 per cent. Mexican equities in New York continued a slow climb that began on Wednesday.

A delegation from the International Monetary Fund arrived in Mexico City late on Wednesday night and was reported to have met Mr Zedillo and Mr Serra, who has been criticised for poor handling of the peso crisis over the past week. Mr Serra's office indicated that his future was in serious doubt. "It is obvious that the president needs someone else to implement the plan," said a senior aide to Mr Serra.

Officials said the IMF mission was reviewing the economic stabilisation plan and might act as an intermediary between the Mexican government and international agencies. The IMF itself was unlikely to provide funds.

Commercial bankers say the Mexican government would need

Continued on Page 14
Bruises after crisis, Page 5

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

AMERICA

Dow retreats as year-end rally falters

Wall Street

Stocks deepened losses at midday as Wall Street's year-end rally stumbled, *agencies report*.

The Dow Jones Industrial Average was down 21.20 at 3,840.49 with declines leading advancing issues by 12 to seven.

The more broadly based Standard & Poor's 500 was off 2.02 at 460.45, the American Stock Exchange composite lost 2.46 to 401.57.

US Treasuries were mixed, with the long bond unchanged to yield 7.76 per cent.

Trading volume on the NYSE was 106m shares.

AT & T, off $⅛ at $51⅝, announced that it was requesting price increases of 3.8 per cent for calling-card and operator-handled calls, 1.3 per cent for international direct dial calls, 5.0 per cent for USADirect Service calls, and an average of 2.4 per cent in the monthly fees for certain domestic savings plans.

AT & T said that the price changes, which are expected to become effective on January 10, 1995, will produce about $259m in revenues.

Toys R Us, down $3 at $30¼, declined to discuss its Christmas sales or comment on a lowering of the 1994 earnings estimate by a US broker.

Home Holdings plan to cease underwriting and transfer some business to Zurich Insurance Group of Switzerland, announced on Tuesday, left the shares down $⅛ at $9⅞.

Mexican and other Latin American ADRs, which had been depressed in the wake of the devaluation of the Mexican peso, bounced back and provided the stock market with one of its few pockets of strength.

Telefonica de Argentina was up $1⅞ at $50⅛, Telecom Argentina rose $1¼ to $48, Telmex was up $1⅛ at $38⅞ and Brazil Fund rose $1⅛ to $31⅞.

Canada

Toronto stocks gave up some earlier gains, but stayed on positive ground in quiet post-holiday action.

The market is likely to remain lacklustre for the rest of the week as players close books for the year-end, traders said.

The TSE 300 composite index added 4.44 4197.64 in volume of 16.2m shares worth C$204.1m.

The upward impetus from a buoyant precious metals sector was blunted by weakness in energy and base metals.

The precious metals group rose 168.65, or 1.84 per cent, to 9,348.31 as gold prices stayed firm. Franco-Nevada Mining rose C$1 to C$69¾ while Placer Dome added C$⅝ to C$29⅞.

Mexican equities climb

Mexican stocks rose in early trade despite a rise in domestic interest rates as investors reacted positively to news that peace talks between the government and rebels in the southern state of Chiapas could be re-opened.

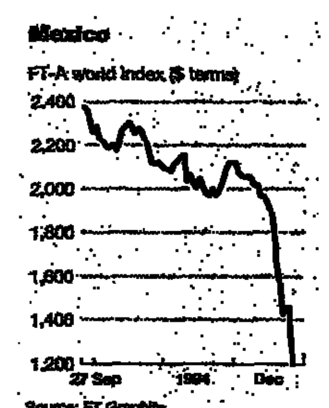
The IPC index rose 21.98 to 2,298.88.

Rebel leaders said in a statement that they recognised the interior ministry as the government's representative in contacts for peace talks.

But some traders said the market would remain volatile ahead of President Ernesto Zedillo's announcement next Monday of measures to tackle the currency crisis.

● Sao Paulo rose 3 per cent in moderate midday trade as investors hunted for bargains.

The Bovespa was up 1,256 at 42,393 by 1 pm in turnover of R$186.1m ($217.1m).



Source: FT Graphite

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+1.49	+1.31	-10.00	-12.23	-7.73	-3.53
Belgium	+0.67	+0.89	-6.86	-8.09	-1.88	+2.58
Denmark	+2.97	+0.14	-7.17	-10.03	-5.49	-1.19
Finland	+0.98	-1.09	+21.45	+20.91	+40.18	+46.54
France	+1.08	-0.30	-12.50	-13.73	-10.62	-6.55
Germany	+1.16	+1.81	-7.84	-9.36	-4.61	-0.27
Ireland	+3.76	+2.73	+3.40	+1.10	+4.53	+9.28
Italy	+4.95	+2.36	+4.58	+3.50	+3.33	+8.02
Netherlands	+1.17	+2.55	-2.07	-2.95	+2.11	+6.75
Norway	+3.10	+7.52	+8.87	+5.84	+10.59	+15.61
Spain	-1.64	-2.87	-10.39	-10.17	-7.79	-3.60
Sweden	+0.06	-1.78	+6.83	+5.13	+11.86	+16.95
Switzerland	+1.67	+2.69	-8.61	-8.61	-2.58	+1.85
UK	+2.27	+1.45	-9.03	-9.69	-9.69	-5.58
EUROPE	+1.68	+1.17	-7.35	-8.25	-5.58	-1.29
Australia	+0.73	+0.71	-4.94	-9.67	-1.07	+3.43
Hong Kong	+0.90	-4.806	-26.05	-32.45	-35.47	-32.54
Japan	+2.24	+4.23	+8.28	+7.06	+14.05	+19.23
Malaysia	+4.45	-2.55	-13.62	-21.98	-21.55	-17.99
New Zealand	-1.03	-4.80	-3.17	-8.69	+0.31	+4.87
Singapore	+2.85	+0.80	-1.86	-7.23	-2.41	+2.03
Canada	+2.15	+3.11	+2.14	+0.65	-8.90	-4.76
USA	+0.22	+1.61	-1.10	-0.93	-5.24	-0.93
Mexico	+3.69	-2.51	-4.89	-8.04	-41.56	-38.91
South Africa	+2.86	-1.14	+25.04	+18.32	+19.43	+24.86
WORLD INDEX	+1.28	+1.97	-1.48	-2.06	-1.46	+3.03

† Based on December 23rd 1994.

EUROPE

Continent takes its cue from early US weakness

Weakness on Wall Street lay behind the downturn in some markets during the afternoon session.

Reviewing possible developments among European equity markets during the first quarter of 1995, Hoare Govett commented that it expected a recovery, "but returns are unlikely to be spectacular, despite this year's falls".

The broker overweighted France and the Netherlands on a six-month view. "Paris has underperformed consistently for the past two years...[and] although liquidity and politics argue against a near-term overweight position, we feel that these factors are offset by the relatively more defensive nature of the market, in view of the risk of negative earnings surprises in Europe as a whole." Regarding Amsterdam, Hoare was positive because the market was broadly skewed towards sectors which it favoured, namely consumer, services and financials.

Sweden and Italy were put on the underweight list, partly as a consequence of having outperformed the European index in 1994.

FT-SE Actuaries Share Indices

Dec 28								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1353.85	1352.50	1351.19	1349.95	1348.97	1348.51	1347.66	1346.59
FT-SE Eurotrack 200	1411.55	1412.15	1411.35	1409.80	1408.97	1407.30	1406.76	1406.13
	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19			
FT-SE Eurotrack 100	1346.48	1347.88	1340.23	1333.21	1332.17			
FT-SE Eurotrack 200	1404.73	1403.75	1395.60	1388.10	1386.91			

Base 1000 (26/10/90); High/day: 100 - 1353.91; 200 - 1413.75 Low/day: 100 - 1346.63 200 - 1405.79 † Partial

FRANKFURT pushed higher, the DAX index closing the official session up 2.86 at 2,109.01, having moved in a narrow range of between 2,107.55 and 2,113.85.

But the market turned sour later, with the Ibis indicated index falling to 2,097.34. Turnover was DM3.5bn.

In a preview of prospects for the German equity market in 1995 Bank Julius Bär said that the biggest danger remained the threat of further rises in US interest rates. "This will lead to repositioning from the equities market into money market funds in the US and investment capital will be repatriated. The German exchange should also suffer from this withdrawal of liquidity in the first quarter. A more favourable trend is likely to set in starting in the spring when reports from companies make clear that the earnings trend is intact."

Banks were stronger: Deutsche Bank gaining DM2.50 to DM726.50, Commerzbank up DM2.00 to DM332.50, and Dresdner Bank putting on DM1.70 to DM406.70. The chemical sector also gained narrowly: Bayer rose DM1.80 to DM361.60, BASF up 20 pfennings to DM318.00, and Hoechst DM2.00 to DM332.00.

AMSTERDAM gave up most of Tuesday's gains, with the AEX index down 3.15 at 414.81, after reaching a session high of 418.94.

Unilever, down 30 cents at Fl 206, said that it had reached an agreement with Danone of France to buy its 60 per cent stake in a Spanish frozen foods company. Unilever said that it would have full management control and that the stake would eventually be increased.

ING, off Fl 1.00 at Fl 82.10, confirmed that it had not been invited for talks on acquiring Hungary's state-owned Budapest Bank.

Rodamco fell Fl 1.30 to Fl 47.20 after the group said that it might drop its optional tax free dividend next year.

PARIS was affected by the US story and the CAC-40 index fell 28.15 to 1,927.83, once again in very low turnover of FFr2bn. EuroDisney, up 20 centimes to FFr11.55, was heavily traded after confirming that attendances were showing a steady improvement.

ZURICH ended lower in a quiet session. The SMI index lost 17.3 to 2,656.2.

Holderbank was affected by what brokers described as UK selling on worries about its exposure in Mexico, the bearers falling SFr24 to SFr1,006 and the registered SFr8 to SFr199.00.

Zurich Insurance bearers dipped SFr5 to SFr1,255 following Tuesday's announcement of a co-operation deal with Sweden's Trygg-Hansa.

MILAN was pulled lower by profit-taking, leaving the Comit index down 3.59 at 634.09.

Smith New Court, issuing a long-term buy note on Fiat, off L135 to L5,960, said that its valuation indicated a price target of between L6,800 and L7,300, indicating a 20 to 25 per cent upside from current levels. Positive factors for the car group included the strong advantage it derived from the devaluation of the lira, its low industrial debt/equity ratio, the prospect of new models and new markets boosting sales further, and the potential disposal of some assets providing an additional boost to earnings and cash flow.

On the negative side, SMC noted that being a market proxy – representing some 8 per cent of the Comit index – the shares were affected by volatility and political instability in the country.

STOCKHOLM saw the Affärsvärlden general index slip 10.9 to 1,463.1.

Ericsson, down SKr6 to SKr411, said that it had won an order for the expansion of the mobile telephone network in Jiangsu province, China.

Trygg-Hansa B lost SKr0.50 to SKr80 following its announcement of a deal with Zurich Insurance.

OSLO moved higher as the All-share index added 3.59 to 655 in high turnover of NKr935m.

Brokers remarked that the activity arose from tax-related transactions – investors were exchanging shares with full voting rights for shares with limited voting rights in order to be able to write off their losses while retaining their stakes in the companies.

Kvaerner A shares added NKr4 to NKr315, while its free shares closed NKr6 up at NKr317 after it announced that its German shipyard had won a NKr650m contract to build two container vessels.

Written and edited by John Pitt

ASIA PACIFIC

Arbitrage unwinding erodes early gains in Nikkei

Tokyo

Arbitrage unwinding and position covering eroded earlier gains posted on buying for the first day of January settlements, and the Nikkei index finally closed lower, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 average closed down 45.83 to 19,665.53 after a low of 19,599.40 and a high of 19,813.91. A rise in the futures market in the morning prompted arbitrage buying and purchases by traders, but gains were eroded by afternoon selling.

Volume was 260m shares against 235.8m. Activity was led by dealers and arbitrageurs, with individual investors trading in speculative issues.

The Topix index of all first section stocks fell 3.26 to 1,551.79, while the Nikkei 300 index lost 0.68 to 285.24. Advances led declines by 478 to 474, with 210 issues remaining unchanged.

In London the ISE/Nikkei 50 index fell 0.37 to 1,200.16.

Speculative issues were among the most actively traded. Sakai Ovex, a synthetic fabric manufacturer, fell Y10 to Y725 on profit taking, while Minolta added Y14 to Y553.

Nippon Soda, a chemical maker, rose Y26 to Y660. Investors were encouraged by the company's contract with a US drug maker to supply Aids-related materials.

Konica, the photo film maker, closed up Y13 at Y818. The company's 20 per cent revenue growth of its new disposable cameras has supported its recent price rise.

Higher ferro-nickel prices boosted Pacific Metals, the largest ferro-nickel maker, in the morning session. The stock however, closed unchanged at Y533.

Other mining and metal issues were also stronger, with Sumitomo Metal Mining up Y1 to Y907.

Profit-taking hurt shipbuilders. Mitsubishi Heavy Industries, the most active issue of the day, lost Y3 to Y750 and Ishikawajima-Harima Heavy Industries fell Y5 to Y453. Steel companies were mixed, with Nippon Steel down Y2 to Y372 and Kawasaki Steel up Y4 to Y412.

Textile companies were also weaker with Toray Industries down Y10 to Y725 and Nisshinbo Industries shedding Y40 to Y1,130.

In Osaka, the OSE average rose 29.28 to 21,656.60 in volume of 29.8m shares. Aoyama Trading, the men's suit retailer, lost Y60 to Y2,200.

Roundup

Trading was thin. Bombay remained closed and will re-open on January 2.

HONG KONG finished lower after a seesaw session, with the Hang Seng index down 43.66 at 8,268.22 and with turnover totalling KK$1.46bn.

The January futures contract was down 50 at 8,280.

There was talk of Japanese buying in the morning but dealers said they did not see any large orders. Most dealers expected fresh Japanese funds to come in the market in January.

Hong Kong Telecom closed down 15 cents at KK$14.85, with China Light and Power off 70 cents at HK$33.60.

Hang Seng Bank fell 75 cents to HK$55.75, and HSBC was marked down 75 cents to HK$84.25.

The index of China-owned stocks ended at 1,068.86, down 5.41 or 0.50 per cent.

SEOUL ended slightly higher but off earlier highs, with investors taking profits on the last trading day of the year.

The composite index put on 2.04 to 1,027.37, with volume estimated at 50m shares.

Brokers said that most of the day's activity was the result of window-dressing of the year-end accounts, with little of the activity having an affect on prices.

Smaller and medium-sized stocks were higher, but investors saw few reasons to establish new positions on the larger blue-chips before the year-end.

TAIPEI finished lower in active trade on heavy profit-taking in textiles.

The weighted index ended down 35.08 or 0.5 per cent at 6,947.83, off a high of 7,010.50. Turnover was T$81.9bn.

Sentiment was hurt on news of an indictment over a share payment default scandal related to textile company Hualon, which plunged by the daily 7 per cent limit to T$40.70. Other textiles, which had risen recently on product price rises, also faced profit-taking, with Shinkong Fibres limit down to T$45.10.

Mutual funds were weak, with Fubon down 60 cents to T$15.2.

MANILA slid as investors took profits. The composite index finished down 16.80 at 2,777.78 in turnover of 1.52bn pesos.

Ayala Land B shares led the fallers, off 3.9 per cent to 37 pesos, after it said that would not bt bidding for a real estate project being auctioned next week.

San Miguel B slid 3.2 per cent to 125 pesos.

KUALA LUMPUR closed lower in thin trading with low buying interest ahead of the year-end holidays.

The composite index fell 11.57 to 975.97, with turnover at M$334.3m.

Tenaga Nasional fell 50 cents to M$10, with Telekom Malaysia dropping 30 cents to M$17.60.

SINGAPORE made slight forward progress, the Straits Times index rising 6.9 to 2,234.15.

Over the counter Malaysian shares retreated on forced selling. The UOB-OTC index ended down 4.16 to 1,117.95.

Volume was just 50.08m shares with falls swamping rises by 214 to 73.

SYDNEY rose in line with a stronger Wall Street and positive year-end sentiment.

The All Ordinaries index added 26.2 to 1,935.5, with the All Industrials index up 32.8 at 2,794.5 and the All Resources index up 21.6 to 1,294.2.

Turnover was A$273.7m.

Comalco was up 11 cents to A$5.16 after announcing plans to float shares in its Commonwealth Aluminium unit.

BHP rose 34 cents to A$20.06, with CRA adding 34 cents to A$18.16 and Western Mining up 20 cents to A$7.62.

Poseidon rose 9 cents to A$2.55, with Newcrest Mining up 2 cents to A$5.80 and Placer Pacific up 10 cents to A$3.80.

KARACHI ended sharply up on institutional buying and short covering by investors as sentiment remained positive due to the improved law and order situation in the city.

The KSE 100-share index rose 27.63 or 1.36 per cent, to 2,055.56.

BANGKOK rose slightly on last-minute buying although selling pressure emerged at mid-afternoon.

The SET index added 3.38 to 1,363.24 after moving between 1,358.59 and 1,369.35 on moderate turnover of Bt4.3bn.

Thai Poly Acrylic, which made its debut, closed slightly up from its initial public offering price of Bt66 at Bt67.50 after peaking at Bt70.50.

The banking sector was the most active and the biggest gainer, rising 1.2 per cent on Bt653.2m turnover. Thai Farmers Bank rose Bt2 to Bt175 and Krung Thai Bank was Bt1.50 at Bt88.50.

S Africa in a solid rise

Shares made steady gains helped by a solid bullion price and portfolio juggling ahead of the year-end.

The overall index rose 29.9 at 5,839.7, as mining and industrial shares performed well. The industrial index made 30.8 to 6,963.0, and the gold index rose 22.2 to 1,976.1.

Miners were the focus as gold tested the $382 resistence level. The feeling was that, if the metal broke through, it could push to $385 next week.

In golds, Harties gained 50 cents to R18.75, and Vaal Reefs climbed R5 to R362.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 27 1994								MONDAY DECEMBER 26 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	172.39	-0.1	165.26	109.44	141.32	147.70	0.0	3.90	172.59	165.43	109.32	141.62	147.70	189.15	160.09	160.09
Austria (16)	178.54	0.1	171.16	113.34	146.36	146.32	0.1	1.11	178.45	171.04	113.03	146.43	146.17	198.89	167.46	186.47
Belgium (35)	167.12	0.2	160.20	106.09	138.99	133.44	0.1	4.14	166.65	159.83	105.69	136.91	133.28	177.04	160.78	165.02
Brazil (28)	153.52	-3.0	147.17	97.46	125.85	240.76	-3.1	0.86	158.25	151.66	100.24	129.85	248.47	-	-	-
Canada (103)	129.26	-0.1	123.91	82.08	105.96	131.04	0.0	2.63	129.33	123.96	81.92	106.12	131.04	145.31	120.54	133.46
Denmark (33)	245.09	0.3	234.95	155.59	200.91	206.15	0.3	1.44	244.27	234.13	154.72	200.43	205.55	275.79	236.61	248.14
Finland (24)	183.63	1.7	176.03	116.57	150.53	183.80	1.5	0.76	180.54	173.05	114.36	148.14	181.04	201.41	123.20	123.63
France (102)	165.01	-0.4	158.19	104.76	135.27	140.95	-0.5	3.04	165.65	158.78	104.93	136.93	141.64	186.37	159.34	179.49
Germany (58)	140.61	0.5	134.79	89.26	115.26	115.26	0.4	1.80	139.86	134.06	88.59	114.76	114.76	150.40	128.37	142.38
Hong Kong (56)	330.08	0.0	316.43	209.55	270.60	327.94	0.0	3.78	330.11	316.41	209.09	270.87	327.94	508.56	305.99	453.56
Ireland (14)	202.77	0.2	194.38	128.73	166.23	167.23	0.0	3.41	202.40	194.00	128.20	166.08	167.23	216.60	177.56	183.90
Italy (59)	75.01	1.2	71.91	47.62	61.49	91.99	1.4	1.72	74.09	71.02	46.93	60.80	90.76	97.78	65.97	69.71
Japan (468)	155.48	-0.3	149.05	98.70	127.46	98.70	-0.1	0.78	155.99	149.52	98.81	128.00	98.81	170.10	127.18	127.18
Malaysia (97)	484.32	-0.2	464.29	307.46	397.03	477.85	-0.2	1.76	485.15	465.01	307.30	398.09	478.85	621.63	430.71	581.28
Mexico (18)	1198.49	-17.9	1148.87	761.47	983.29	7409.73	-0.8	1.38	1460.56	1399.95	925.14	1198.46	7465.60	2647.08	1199.49	2362.65
Netherland (19)	214.81	1.1	205.92	136.37	176.09	172.99	1.0	3.34	212.55	203.73	134.63	174.41	171.30	223.30	191.28	202.48
New Zealand (14)	71.29	0.1	68.35	45.26	58.45	58.86	0.0	4.96	71.22	68.26	45.11	58.44	58.86	77.59	62.06	64.66
Norway (23)	207.97	0.1	199.36	132.02	170.48	194.28	0.1	1.70	207.69	199.07	131.55	170.42	194.09	211.74	177.53	181.12
Singapore (44)	374.89	0.0	359.39	238.00	307.33	252.92	0.0	1.70	374.98	359.42	237.52	307.70	252.81	401.38	294.98	381.71
South Africa (59)	333.33	-0.1	318.54	211.61	273.25	296.52	0.1	2.22	333.57	319.72	211.29	273.71	296.37	342.00	205.55	268.44
Spain (38)	130.14	-3.1	124.75	82.62	106.68	131.46	-3.0	4.34	134.34	128.76	85.09	110.23	135.53	155.79	130.14	143.31
Sweden (36)	230.42	0.3	220.89	146.28	188.90	255.41	0.3	1.57	229.65	220.12	145.48	188.44	254.74	242.61	194.59	194.59
Switzerland (47)	164.59	0.9	157.79	104.49	134.93	135.79	0.8	1.90	163.11	156.34	103.32	133.84	134.75	176.96	149.91	164.98
Thailand (46)	158.10	0.3	151.56	100.37	129.60	154.18	0.3	2.40	157.63	151.09	99.84	129.34	153.68	-	-	-
United Kingdom (204)	193.57	0.0	185.57	122.89	158.69	185.57	0.0	4.16	193.60	185.57	122.63	158.86	185.57	214.96	181.11	207.83
USA (514)	189.11	0.5	181.28	120.05	155.02	189.11	0.5	2.93	188.14	180.33	119.17	154.37	188.14	196.04	178.95	191.41
Americas (863)	174.83	0.2	167.60	110.99	143.32	146.69	0.4	2.87	174.53	167.29	110.55	143.21	146.01	-	-	-
Europe (708)	167.83	0.2	160.88	106.54	137.58	151.79	0.1	3.06	167.55	160.60	106.13	137.48	151.60	178.58	160.59	172.24
Nordic (116)	221.96	0.6	212.78	140.91	181.95	210.22	0.5	1.40	220.71	211.55	139.80	181.10	209.21	233.01	189.22	189.22
Pacific Basin (793)	163.21	-0.3	156.46	103.61	133.80	107.83	-0.1	1.16	163.68	156.89	103.68	134.31	107.98	176.86	141.04	141.04
Euro-Pacific (1501)	165.04	-0.1	158.21	104.77	135.29	125.22	0.0	1.99	165.20	158.34	104.64	135.55	125.22	175.14	153.85	153.85
North America (617)	185.39	0.5	177.73	117.69	151.98	185.11	0.5	2.92	184.49	176.83	116.86	151.38	184.20	192.73	175.67	187.82
Europe Ex. UK (504)	150.32	0.3	144.10	95.43	123.22	131.64	0.2	2.46	149.92	143.70	94.96	123.01	131.38	158.12	144.12	149.95
Pacific Ex. Japan (325)	240.19	-0.1	230.26	152.49	196.91	210.36	0.0	3.17	240.33	230.35	152.23	197.20	210.41	298.21	224.17	272.88
World Ex. US (1709)	165.93	-0.3	159.07	105.34	136.02	128.71	0.0	1.99	166.39	159.48	105.39	136.52	128.74	176.65	155.88	165.88
World Ex. UK (2019)	170.54	0.0	163.48	108.26	139.80	143.45	0.2	2.13	170.52	163.45	108.01	139.92	143.19	178.59	162.83	162.83
World Ex. Japan (1755)	183.60	0.1	176.01	116.56	150.51	175.84	0.3	2.96	183.34	175.73	116.13	150.44	175.36	195.20	176.94	188.97
The World Index (2223)	172.58	0.0	165.44	109.56	141.47	147.26	0.2	2.33	172.57	165.40	109.30	141.60	147.02	180.80	166.19	166.74

Constituent change 28/12/94: Name change: North Broken Hill to North Ltd (Australia). Latest prices were unavailable for this edition. Markets closed 27/12/94: Australia, Canada, Hong Kong, Ireland, New Zealand and U.K.

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China's foreign minister to visit UK

By Simon Holberton in Hong Kong

Mr Qian Qichen, China's foreign minister, will visit the UK next year in what British officials hope, but do not expect, will mark an improvement in relations.

News of Mr Qian's proposed visit, which is not expected until the late spring or summer, came amid expectations of another Sino-British row – this time over a multi-billion-dollar plan to replace the sewerage systems in Hong Kong, which the local government says is urgently needed.

China has requested that the Hong Kong government defer plans to start a big part of the HK$20bn (£1.67bn) project pending discussions about its environmental consequences.

The government claims that as stage one of the project – a treatment plant on Stonecutter's Island – is self-contained and can be completed before Hong Kong's handover to China in 1997 it does not need Beijing's approval. It may let contracts this week for construction of the treatment plant.

Mr Qian confirmed his plans to visit the UK to a group of local Hong Kong politicians visiting the Chinese capital. In a phrase which underlined the frostiness of bilateral relations he said that China had "no objection" to a proposed visit by Mr Michael Heseltine, trade and industry secretary.

Qian Qichen: China has 'no objection' to visit by Heseltine

Mr Heseltine is expected to go China in the spring. Last year he was forced to withdraw from a trade mission to China when, in the middle of a row, Beijing informed London that he was not welcome.

Mr Qian's planned visit to the UK is one in a regular series of meetings which Britain and China agreed to as part of their 1991 pact to build a new airport in Hong Kong. British officials, however, took some comfort from his decision to go ahead with the visit.

This is in spite of the very poor atmosphere surrounding Sino-British relations over Hong Kong. At a meeting earlier this month in London, British and Chinese negotiators made little headway on important issues relating to Hong Kong's legal system and the development of the colony's container port.

On the port, the Hong Kong government appears to be stymied. A proposal from Beijing this week that the colonial government build the port extension itself and leave to the post-1997 administration the question of its ownership has been rejected.

A far more difficult judgment which the government will have to make in the New Year concerns the colony's court of final appeal. The government says it is committed to establishing the court – which will be Hong Kong's highest – before 1997.

In spite of a 1991 agreement with China on the structure of the court, Beijing has been dragging its feet in approving the agreement in legislative form. It has had a copy of a draft bill since May.

In the meantime Hong Kong's legal profession has emerged divided on the government's draft bill. Its representatives in the local parliament have vowed to oppose the government.

Beijing plans to overhaul bankruptcy law

By a Correspondent in Beijing

China plans to overhaul its eight-year-old bankruptcy law next year to accelerate the streamlining of loss-ridden state companies. According to the New China News Agency, a draft law to be presented to the National People's Congress, the nominal parliament, will tighten provisions of existing legislation, in effect since 1986, and bring it into conformity with market reforms and international practices.

At a session of Chinese legislative leaders which ended yesterday, the standing committee of the People's Congress also called for tighter control by the legislature and the State Council, or cabinet, over the People's Bank of China and its monetary policy.

Under a draft law that has to be ratified by the legislature next year, the central bank will no longer engage in commercial or policy-related lending and will have to report regularly on money supply, credit balance and other issues.

The People's Bank of China has been trying to modernise and make the transition from acting as the funding source of a planned economy to being a market-oriented institution.

The legislative committee also cleared a new prison law aimed at curbing China's rising crime in a move that extends legislative supervision and the reach of Mr Qiao Shi, the powerful congress chairman, considered a contender to succeed Mr Deng Xiaoping, the ailing paramount leader.

"The tasks in the coming year remain very heavy," Mr. Qiao was quoted as saying in a speech urging other legislative leaders to "promote the sustained, fast and healthy development of the national economy as well as political and social stability of the country".

Despite the proposed changes in bankruptcy legislation, western economists questioned whether the government will carry out its bankruptcy programme while millions of state enterprise employees are without work or relying on subsistence wages.

However, Mr Cao Siyuan, a bankruptcy consultant and the architect of the proposed legislative changes, predicted the draft law would speed the rate of bankruptcies. Although the government admits that more than 40 per cent of the 72,000 state-owned industrial enterprises are in the red, only about 2,000 have been allowed to go into default under the existing law. For example, Mr Cao said the proposed law would remove government officials from the bankruptcy process by providing for an independent team to assess assets.

New World Bank method of calculating GNP

Dynamic Asians join top 10 richest nations

By Peter Norman, Economics Editor

Three Asian nations count among the world's top 10 richest countries when measured in terms of national output per head, adjusted for the purchasing power of their currencies in their home markets, the World Bank reported yesterday.

For the first time, the Bank has published gross national product figures for a majority of the earth's countries in terms of purchasing power parity (PPP).

As a result, Hong Kong and Singapore, two of the so-called dynamic Asian economies, join Japan in the top 10 of the world's richest nations. Two Gulf oil producers, the United Arab Emirates and Qatar, also appear in the top 10, displacing Kuwait, which appears 10th in the traditional country rankings measured by GNP per head.

The World Bank believes that GNP per capita figures give a better indication of relative standards of living when converted into "international dollars" at purchasing power parity. It defines PPP as the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as $1 would buy in the US.

Using PPP, Luxembourg emerges as the world's richest country with an output per head of $29,510 in international dollars in 1993. The US, the world's strongest economic power appears second in terms of GNP per head measured in terms of PPP but only seventh in terms of GNP per head. As the benchmark nation, US GNP per head is $24,750 (£16,000) on both measures.

RICHNESS RANKINGS
On purchasing power parity
(On traditional GNP per capita in parentheses)

Luxembourg	1	(2)
US	2	(7)
Switzerland	3	(1)
UAE	4	(12)
Qatar	5	(23)
Hong Kong	6	(21)
Japan	7	(3)
Germany	8*	(9‡)
Singapore	9	(18)
Canada	10	(16)
France	11	(13)
Norway	12	(5)
Denmark	13	(4)
Austria	14	(11)
Belgium	15	(14)
Australia	16	(22)
Italy	17	(17)
Netherlands	18	(15)
UK	19	(20)
Sweden	20	(6)

* West only ‡ Whole

Source: World Bank figures for 1993

Britain is 19th among the 129 countries for which the Bank has calculated output per head in terms of PPP, with per capita GNP of $17,750 in international dollars, and 20th among 209 countries measured by GNP per head only. On the traditional measure, UK output per head dropped in 1993 to $17,970 from $18,110 in 1992.

The traditional measure makes Switzerland the world's wealthiest nation with a GNP per head of $36,410. Mozambique is the poorest with a GNP per head of $80, although this rises to an estimated $380 in international dollars using the PPP calculation.

The PPP calculations have the effect of lifting GNP per head sharply for most developing countries and former communist states. China, for example, had a GNP per head of $490 last year but, using PPP, this rises to $2,120.

In Russia's case the PPP calculation yields a GNP per head of $5,240 for 1993 against $2,350 using traditional measures while the World Bank, using PPP, calculates India's GNP per head at $1,250 last year against $290 using the normal method.

The PPP method shows that Mexico, which formally joined the ranks of the industrialised countries last year when it became a member of the Paris-based Organisation for Economic Co-operation and Development, is less wealthy than several nations that are still considered developing countries. Mexico's GNP per head was $7,100 in international dollars in 1993 against $8,630 for Malaysia and $8,130 for Venezuela.

World Bank Atlas, $7.95. Details from World Bank, Marketing Unit, Room T-8054, Washington DC 20433. Fax US (202) 676 0579.

Pilot's confession may complicate his release from North Korea

By John Burton in Hong Kong

An ambiguous "confession" signed by a US army helicopter pilot captured by North Korea almost two weeks ago could further complicate efforts to secure his release.

Analysts were divided over whether the statement by Chief Warrant Officer Bobby Hall would speed his release or provide Pyongyang with new grounds to detain him in return for possible concessions from the US.

If his return is delayed further, it is likely to increase prospects that the new Republican-controlled US Congress will try to block implementation of the recent US nuclear accord with North Korea. Under the accord, Pyongyang agreed to dismantle its nuclear programme in return for US diplomatic ties and international economic aid.

Mr Hall admitted that his OH-58 reconnaissance helicopter made an "intrusion deep" into North Korean airspace, adding "this criminal action is inexcusable and unpardonable".

"I only hope, and it is my desire, that the [North] Korean People's Army will leniently forgive me for my illegal intrusion so that I may return to my home and be with my family again," he concluded.

The apology may provide a face-saving means for his release, while allowing North Korea to exploit the incident for propaganda purposes and justify its downing of the helicopter.

The statement, if it was dictated by North Korean officials as many believe, does not offer much support for Pyongyang's allegation that the helicopter was on a spying mission and that its intrusion was deliberate. Mr Hall's statement said that his helicopter "deviated" from its planned flight route within South Korea, but gave no explanation for why the helicopter strayed across the demilitarised zone. This could imply support for the US claim that the helicopter lost its way after a navigational error.

But some South Korean government analysts believe that Mr Hall's statement that the helicopter was on an "observation reconnaissance" mission could be interpreted as espionage if North Korea decided to press the affair.

Whether North Korea will try to use the issue to gain concessions from the US is still unclear as it negotiates with a senior US diplomat who has travelled to Pyongyang to gain the pilot's release.

North Korea may possibly exploit the incident to support its demand that the US sign a formal treaty ending the 1950-53 Korean war and begin withdrawing its 37,000 troops from South Korea.

OECD struggles to adjust to harder times

Heavier workload and resource constraints are straining the organisation, writes Gillian Tett

When Mr Jean Claude Paye, secretary-general of the Organisation for Economic Co-operation and Development, returned to his desk last month one of his first tasks was a fax. In a politically tactful move, he sent a message to Mr Donald Johnston, the Canadian recently selected to succeed him, offering congratulations him on his appointment – and any advice he might need.

In usual circumstances, the move might have seemed unremarkable. But as Mr Paye surveys the scene from his elegant offices in the OECD's Paris headquarters, both his position and the organisation's situation look anything but normal.

Earlier this year the OECD was shaken by a bruising diplomatic row over whether Mr Paye should continue in the post he has held for the past 10 years, or be replaced. The issue was finally resolved by agreeing that Mr Johnston will succeed Mr Paye after 17 months.

The dispute, however, has highlighted new uncertainties about the future of the group, which promotes co-operation among 25 of the world's leading industrial economies. For with the OECD's workload surging, budgetary and political constraints are threatening to leave the organisation hamstrung – and Mr Paye and his successor facing an increasingly difficult task.

"We are not stifled yet but we are in a difficult position in reconciling this wish for more work and sufficient resources," Mr Paye says. "One of our concerns is that in some areas we are thinly spread now."

In the short term, Mr Paye's first challenge is to smooth over the diplomatic split between the European and non-European members that was generated by his reappointment.

"It certainly was an unfortunate period, the battle for the secretary generalship," admits Mr Paye, a discreet and dapper French diplomat. "But to some extent I welcome this because it proves that there is a conviction in member countries that the organisation matters."

Indeed, back in his office, he insists that all is business as usual. In his remaining time he plans to press ahead in the two main areas of change that have emerged in recent years: the enlargement of the organisation to include countries such as Poland; and its move into new areas of social policy research, such as the OECD's celebrated recent jobs study. And he shrugs off suggestions that his moves will be hampered by the Americans who opposed his reappointment.

"I don't see the interest the Americans would have in blocking something.... If they were to do so they would provoke retaliation later on," he says, insisting that this would go against the "culture" of the organisation.

But the real question that now hangs over the OECD is whether Mr Paye's cautious "business as usual" approach will be enough to tackle the broader problems it faces.

The OECD started life as an overseer of the post-war Marshall Plan, and was established in its present form as a meeting place for governments and source of economic research almost 30 years ago. But rapid changes in the world economy have called this role into question, as groups like the European Union have come to serve as an alternative source of co-operation. Meanwhile, the OECD's claim to promote co-operation in the industrial world appears increasingly anomalous, given that countries like the so-called Asian tigers are not members.

Pushing through radical reforms is a particularly difficult task

As Mr Paye points out, these problems of geopolitical change also dog other institutions like the Conference on Security and Co-operation in Europe or the Nato alliance. But the OECD's distinctive culture of polite peer pressure and consensus means that pushing through radical reforms is particularly difficult.

Although Mr Paye believes, for example, that further changes are needed to the OECD's internal structure, this is proving sensitive because its members demand that the organisation should mirror the structure of their governments. Attempts to fuse some computing, industry and science committees earlier this year were blocked.

Meanwhile, moving funds from lesser known programmes like tourism research to new projects is hard. "We have tried to chop some programmes, but it proves very difficult to get unanimous agreement. We almost scuttled the budget discussions one year because one country insisted on maintaining the activities on pulp and paper," he says.

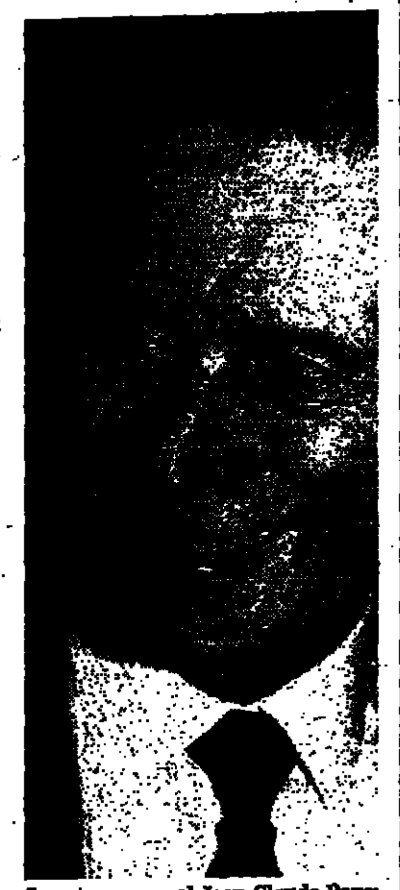
One solution, Mr Paye says, might be to end the requirement of unanimity in the budget discussions. But pushing this through may be difficult, not least because some members are already grumbling about the OECD's budget, currently about FFr1.3bn (£155m).

The UK, for example, recently decided to stop funding the OECD Development Centre, complaining that its budgetary contributions had surged by 40 per cent in the past four years. The OECD insists that the real increase is 28 per cent, with most of this due to new research into east Europe. But Mr Paye admits that Britain's move could prove the tip of an iceberg if the organisation were "unable to adjust and develop to meet its challenges".

With Mr Paye hoping that the four Visegrad countries (Poland, Hungary, the Czech Republic and Slovakia) will join the OECD in 1996, and South Korea already having announced its intention of becoming a member, he insists that the organisation still has a future.

Indeed, he argues that the development of such regional trading blocs as the EU and North American Free Trade Agreement means the OECD should now aim to play a vital role as a "meeting point for policy dialogue between those groups."

But if the OECD is to achieve this role, it will require a new clarity of vision from both Mr Paye and Mr Johnston. And with the former now planning to meet the latter for exploratory talks next spring, it appears that the two men will have much to discuss – irrespective of the previous diplomatic dispute.



Secretary-general Jean Claude Paye: "Business as usual" approach

Plan for control of key enterprises jolts reform drive

Russian call for state takeovers

By John Lloyd in Moscow

The new head of Russia's State Property Committee, the main agency for privatisation, said yesterday he was preparing a law to renationalise enterprises in the central sectors of the Russian economy – oil and gas, aluminium and the military-industrial complex.

Mr Vladimir Polevanov, appointed last month as head of the committee in succession to Mr Anatoly Chubais, now a first deputy prime minister in charge of the economy, told a group of Russian journalists it was essential to "change the economic course of the government" and impose "strict state management of enterprises". He claimed he had the support of President Boris Yeltsin and "a part" of the government.

This is Mr Polevanov's most open statement of his aims since his appointment – though a series of muffled conflicts have been obvious between him and Mr Chubais, the government's leading reformist, over the course of privatisation. However, in claiming the president's support, Mr Polevanov is also claiming that his line is winning out in the struggle over reform.

The threat to enterprises in sectors most attractive to foreign investors – which include such companies as Lukoil and Gasprom, now actively seeking foreign investment – is a move of the kind most feared by investors considering putting money into a country still seen as politically volatile. However, Mr Polevanov is being strongly opposed behind the scenes by Mr Chubais, who is fighting to keep reform and privatisation alive by working with Mr Polevanov's reform-minded deputies.

Mr Polevanov said he was "very concerned" that in auctions of enterprises in the fuel, energy and aluminium sectors, foreign investors had secured packets of shares of up to 15 per cent of a company's stock and thus the right to seats on the board. "This directly threatens the security of Russia," he said.

He claimed that a senior official on Mr Yeltsin's staff had produced a report on the threat to national security of privatisation and foreign investment and that his actions were conforming to the lines of the report.

The privatisation committee, he said, was now drafting a law in co-operation with the heads of the Duma's privatisation and budget committees, to bring back the strategically important companies within state control. He said any loss of foreign investment as a result of such a law would be compensated by imposition of higher import tariffs.

Earlier this week, Mr Maxim Boiko, head of the Privatisation Centre – an independent institute close to the government – acknowledged that Mr Polevanov's ideas were in contradiction to the reform course but said he was "new in the job".

Economy hostage to war, oil and Yeltsin

John Lloyd on the desperate struggle waged by reformists over three crucial issues

The Russian government's proclaimed aim of stabilising the economy next year – a move seen as indispensable to bringing stability not just to the economy but to politics – now rests on the outcome of a desperate behind-the scenes struggle by reformists over three critical issues: the war in Chechnya; a system of domestic oil quotas; and the support of President Boris Yeltsin.

The 1995 budget assumes loans from the International Monetary Fund and the World Bank totalling nearly $13bn, which will account for a third of budget income. But this lending is now in the balance because of a series of massive problems, any one of which might throw such a programme off track.

The cost of the Chechen war is estimated to be running at some Rbs3,000bn a week, and mounting. The final bill, including rebuilding the severely damaged capital, Grozny, and other towns, had been put initially at Rbs1,000bn but all estimates are now much higher. In addition, the military will demand greatly increased expenditure as the price for their engagement in the war.

A system of domestic oil quotas is now in draft form, and would replace the quotas on oil exports which remain in force until January 1. Mr Yevgenny Yasin, the pro-reformist economics minister, said yesterday that the draft had not yet been signed, but he expected a decision from Mr Victor Chernomyrdin, the prime minister in the next couple of days.

"Our view in the economics ministry is that fears that ending quotas will lead to a shortage of oil in the domestic market are insufficiently grounded, and that a decision to liberalise is absolutely essential."

Abolition of the quotas is seen by the IMF and the World Bank as vital to the liberalisation of oil prices, which in turn is seen as a necessary condition for economic stabilisation. IMF sources said yesterday that the decision was a crucial test of the government's good intentions.

The position of the president on these issues is presently unknown. Mr Yeltsin has formally backed the budget strategy, but has in the past insisted on his own freedom of action to issue decrees and approve laws which contradict budget strategy. The reformists now fear that unless he explicitly endorses the 1995 budget itself, it will fail to command domestic and international support. Mr Yeltsin has recently approved a law abolishing a profit tax paid by banks, and is said to be in favour of signing legislation raising minimum wages.

Government officials admit that the first quarter of the new year will be exceptionally difficult as revenues are traditionally low at that period and the costs of the Chechen war are mounting. However, they also believe that the budget deficit of 8.2 per cent of official gross domestic product (estimated at Rbs925,000bn) can be brought down, in part because the GDP forecast is too low.

They also believe that if the IMF can agree on a standby loan in the middle of January, inflation now running at around 15 per cent a month can be swiftly lowered as expectations are reduced.

Mr Jochen Wermuth, head of the group of experts working with the finance ministry, said last night that "given recent positive developments in revenue collection and additional revenue measures which the government can implement without the agreement of the Duma [lower house of parliament], it is likely that the government deficit could be as low as 5 per cent, sufficiently low to allow for a credible policy of stabilisation – if supported by a stabilisation fund".

He added, however: "Given the constraints on the budget in the first quarter, quick IMF support for the programme is central."

Scalfaro plans further round of negotiations

Italian parties take hard line in government talks

By Robert Graham in Rome

Italy's main political parties have staked out intransigent positions in the initial round of consultations held by President Oscar Luigi Scalfaro to resolve the country's government crisis.

As the president winds up today his preliminary soundings, it has become clear that he will insist on further extensive discussions with political leaders before taking a decision. He will also be anxious to test whether there is any flexibility in the hardline positions adopted by the parties.

Political commentators were saying yesterday that he was unlikely to reveal his hand before the end of next week. The prospect of a long drawn-out crisis put renewed pressure on the lira yesterday and it fell through the psychological floor of L1,050 against the D-Mark to a new record low.

Following last Thursday's resignation of the eight-month-old Berlusconi government, the parties are split between those for and against early elections. Mr Silvio Berlusconi, the outgoing premier, told the president bluntly this week that he had no option but to dissolve parliament and call a snap election.

"We see no other solution but going to the polls," Mr Berlusconi said after seeing the president on Wednesday. The premier claims that he and his rightwing coalition were given a mandate to govern which can be usurped by no other political alliance. This view is shared by his allies.

PDS leader Massimo D'Alema: opposed to snap election

Mr Berlusconi has even backed up the call for a quick electoral test by suggesting the end of March as the polling date – exactly a year after he scored his triumphal success with his Forza Italia movement less than three months after entering politics.

But yesterday Mr Massimo D'Alema, the leader of the former communist Party of the Democratic Left and the effective head of the opposition, voiced a completely contrary view after meeting President Scalfaro. "We have told Scalfaro he cannot dissolve parliament so long as the majority of deputies believe a new government must be formed," he said.

In the chamber of deputies Mr Berlusconi's Forza Italia, plus its remaining allies – the neo-fascist MSI/National Alliance, the Christian Democratic centre and the Radical reformers of Mr Marco Pannella – can muster 277 votes. Even with the backing of some members of the populist Northern League which has left the coalition, Mr Berlusconi falls short of the 316-vote majority. In contrast the combined vote of the opposition is close to 360 if the full League contingent is included.

Mr Berlusconi knows the longer the delay in elections the more he is likely to lose a sympathy vote. His opponents are meanwhile determined to place as many obstacles in his path as possible to prevent him returning to government.

The opposition also shares President Scalfaro's view that early elections without further reform of the electoral system and some fresh budgetary adjustments would be damaging to the country.

However, these measures could not easily be forced upon Mr Berlusconi and his allies, who might retaliate by resigning en masse to demonstrate the lack of legitimacy in the continued life of the parliament.

Prospects rise for truce in Bosnia

By Laura Silber in Belgrade

Bosnian Serb and United Nations commanders yesterday adjourned talks on a proposed four-month ceasefire agreement but remained confident the truce would be signed before the deadline on Sunday.

On the political front, Bosnian Serb deputies last night made a cautious endorsement of a peace plan brokered on December 19 by Mr Jimmy Carter, former US president. Bosnian Serb leaders had promised to restart peace talks on the basis of the five-nation Contact Group plan to divide Bosnia roughly in half.

"The parliament informs the Contact Group and the international community of the readiness on the part of Republika Srpska to enter peace negotiations on the basis of the agreement with Carter."

The lukewarm statement, issued in the Serb mountain stronghold of Pale, fell far short of accepting the map which would call on Serbs to hand over a third of the 70 per cent of Bosnia they currently control.

Serb leaders still reject the maps, whereas the Moslem-led government had insisted that the proposed division remains the same. But earlier Mr Alija Izetbegovic, President of Bosnia, appeared to soften his position. Speaking in his capacity as leader of Bosnia's main Moslem party, he said: "We think that the resumption of the war is a bigger injustice than an unjust peace."

After meeting Serb military and political leaders in Pale, General Sir Michael Rose, UN commander in Bosnia, said: "There is goodwill on both sides. I hope we are going to get some conclusion by the weekend.

"Today it might be a little too soon [for the signing] because we were not expecting it before January 1 and we still have two days to go."

General Ratko Mladic, the Bosnian Serb commander, added: "I agree with what General Rose has just said. I hope the parties to the conflict will sort details out."

Bosnian Serbs and Moslems recently endorsed a temporary truce in order to gain time to hammer out the details of a four-month cessation of hostilities throughout Bosnia under the agreement brokered by Mr Carter.

Fighting near the northwestern Bihac enclave yesterday raised fears that even the provisional truce would not take hold. Serb forces are encircling Bihac. They used tanks, artillery and mortars to push back their Moslem foes in nearby Bosanska Krupa, said UN officials.

The Bosnian government yesterday reiterated warnings that it would refuse to sign the four-month ceasefire if Serb forces, backed by troops loyal to Mr Fikret Abdic, the Moslem renegade leader, kept up their assault on Bihac. Gen Rose on Wednesday won conditional support for a truce from Mr Abdic, but the maverick chief refused to accept any deadlines.

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Mexicans search for a sacrificial victim

By Ted Bardacke in Mexico City

Wall Street has wanted Jaime Serra Puche's head. Managers at the brokerage houses and mutual funds which have lost billions of dollars in the Mexican market over the past two weeks say the country's finance minister, whose position originally looked secure but finally came under threat last night, mismanaged the currency crisis. Confidence in Mexico could not return until Mr Serra's departure, the money managers said – always adding: "Don't quote me on that".

Ahead of the announcement of an economic stabilisation plan by President Ernesto Zedillo, government officials and political analysts said Mr Zedillo would attempt to restore investor confidence by changing policies, not just people.

"So far Zedillo's response to this crisis has been tactical, making moves day by day. But he and his people know that to succeed they need to put together a real strategy," says Prof Guillermo Garduño, professor of political science at the Mexican Institute of Technology. "Replacing Serra only makes sense as a tactic, but it wouldn't be very strategic less than one month into the government."

A political strategy was yesterday beginning to emerge. One part would be to blame ex-president Carlos Salinas and Mr Pedro Aspe, his former finance minister, for much of the current crisis. This move would follow a tradition in Mexico of the new president coming down hard on the predecessor who hand-picked him.

Specifically, Mr Salinas and Mr Aspe would be taken to task for not devaluing, even when they saw compelling economic reasons to do so. Several senior government economic officials, including Mr Guillermo Ortiz, communications and transport minister who was last night expected to take over from Mr Serra at finance, had been privately explaining the need for a devaluation as early as November 1993.

But these officials were overruled by their superiors for political reasons, namely the fear that a devaluation would cause the ruling Institutional Revolutionary party to lose votes in last August's election and take some lustre off Mr Salinas' campaign to become head of the World Trade Organisation. Mr Salinas' dwindling chances of a move to Geneva, and a post-devaluation poll showing the PRI likely to be crushed in February's state elections, show just how right the two former officials may have been.

Many foreign investors would have favoured the return of Mr Aspe to the finance ministry. Political analysts say bringing Mr Aspe back would have been damaging to the presidency, however. "Zedillo needs to consolidate power or this is never going to work. Aspe's return would be a recognition that Zedillo is weak and not in control of the situation," says Prof Garduño.

Mr Ortiz was the most elegant advocate of devaluation in the Salinas administration and was a prime candidate to replace Mr Serra. At communications and transport he was to have carried out many of the privatisations that were expected to be a key component of the stabilisation plan.

"In all wars there are deaths," says Mr Federico Arreola, a political columnist. And in Mr Zedillo's war against economic difficulties, the sacrifice of Mr Serra was expected to come "even though he might not be at fault".

Yet government officials recognise that this strategy will not work unless the war in Chiapas province is resolved and political stability is restored. In fact, since the financial crisis began nearly two weeks ago, more progress has been made towards reopening negotiations in Chiapas than on the economic front.

Serra: drew fire over handling of economic difficulties *Ashley Ashwood*

US investors nurse bruises from peso crisis

By Lisa Bransten and Patrick Harverson in New York

The devaluation of the Mexican peso and the country's financial crisis have left US financial institutions – the largest investors in Mexico – nursing some nasty bruises.

Economists are worried that US mutual funds, banks, and securities houses may shy away from investing in Mexico. There is already evidence that some are withdrawing altogether, at least temporarily.

One US mutual fund is said to have decided to liquidate its peso-exposed investments after seeing the value of its Mexican holdings decline as much as 20 per cent. According to a debt trader at one US bank, the fund is selling the securities in anticipation of redemptions that may come in after the fund sends out its year-end statement in several weeks.

The trader said that the fund had bought at least $150m of the debt of a large Mexican company at an issue price of $102. After the crisis broke, it tried to sell the paper for $92, but had trouble finding buyers.

For another fund group, Massachusetts Financial Services of Boston, the currency crisis meant a loss of about $11m across several funds with total assets of more than $3bn. Mr Jeffrey Kaufman, who manages emerging market debt for several of the company's mutual funds, said that in the wake of uncertainty about the government's economic plan the company pulled all its peso-exposed debt out of Mexico.

But, he added, "I don't view our exit as permanent because I think the Mexican government can take steps to rebuild its credibility."

According to the latest figures from the Securities Industry Association, US investment in Mexican stocks totalled more than $1bn in the middle of this year. In the Mexican debt market, US investors held more than $2.2bn as of last June. On the equities side, analysts calculate that the dollar value of US investments in Mexican stocks would have declined more than 30 per cent if they had been held throughout the week-long crisis.

Lipper Analytical, a research firm, said that open-ended Mexican equity funds in the US declined an average 25 per cent between December 16 and December 23 and open-ended bond funds fell by an average of 16 per cent over the same period.

In spite of these losses, however, most US funds dedicated primarily to Mexico or emerging markets appear to have decided to see out the crisis.

Mr William Truscott, assistant manager of the Scudder Latin America Fund, which held about 30 per cent of its $726m in assets in peso-denominated securities, said he would stay the course in Latin America although the fund had lost about 20 per cent since the first devaluation on December 19.

Like many other managers, Mr Truscott expressed anger over the way the month-old administration of Mr Ernesto Zedillo chose to execute the devaluation.

"There is general shock," he said. "The handling of this problem by the current administration stands in stark contrast to the Salinas administration where there was always a plan and a contingency plan if that plan didn't work."

MEXICAN TESOBONOS
Short-term dollar securities falling due in 1995 ($)

January	3.62bn
February	3.49bn
March	3.23bn
April	1.85bn
May	2.72bn
June	1.94bn
July	3.75bn
August	4.14bn
September	650m
October	864m
November	2.20bn
December	715m

Source: Bank of Mexico

Mr Truscott and others are now waiting to see the economic plan Mr Zedillo is scheduled to outline on January 2.

Mr Lawrence Goodman, an economist who specialises in Latin America at securities firm Salomon Brothers, warned that investors should expect volatility in the markets until the plan is announced.

"What we are seeing now is that, independent of a programme, there are waves of speculation that are leading to massive swings both in the currency and the equity and fixed income markets. There is a fair amount of concern among investors related to credibility that has been jeopardised," said Mr Goodman.

For US commercial and investment banks, meanwhile, the immediate fallout from the peso devaluation has been the losses incurred on their portfolios of Mexican debt securities. Mr James Hanbury, banking analyst at Wertheim Schroder in New York, said the peso's decline ensured that a difficult trading year for banks ended on a suitably bleak note. "In a quarter where securities trading and bond trading profits have been terrible, this will be another piece of bad news."

Not all US banks suffered trading losses. Although shares in Citicorp fell last week after the peso was floated because of concern about the earnings of the US bank with the biggest exposure to Mexico, analysts said the bank was protected because it had a big local currency business in Mexico and so did not need to take risks trading Brady bonds and Latin American debt in New York.

Bear Stearns, a big trader in the secondary market for Mexican securities, was also said to have fared well last week. One analyst said the firm told him that it had broken even on its Mexican debt trading during the crisis. Although he was not sure how the firm managed to survive the devaluation unscathed, the analyst said of Bear Stearns: "They're smart. Also, this [the devaluation] did not exactly come as a total surprise to everybody. They could have been short, or flat. And they could have been lucky."

Now the big questions are, said Mr Hanbury, "What happens to Mexican credit in 1995? What will the economy do? How will Mexican companies pay their debts when their earnings are in pesos and their debts in dollars? What is the knock-on effect of all this? We just don't know."

The crisis also had serious implications for Mexico's capital-raising ability, he said. "A good deal of Mexican stocks and bonds are owned by outsiders. That puts them at risk in raising capital, because foreigners will be frightened for a while."

INTERNATIONAL NEWS DIGEST

Israel economy grows by 6.8%

Israel's economy outperformed all 24 Organisation for Economic Co-operation and Development nations in 1994 with a growth of 6.8 per cent in gross domestic product, according to Israel's central bureau of statistics. Israel also led the field with a growth in per capita income of 4.3 per cent, although income remains low by western standards at $13,730. Fuelled, among other things, by an influx of 600,000 immigrants from the former Soviet Union over the past five years, the economy has expanded at an average of 5 per cent a year since the beginning of the 1980s. Figures released this week show unemployment falling from 10 per cent in 1993 to 7.6 per cent this year. This puts Israel ninth among OECD states with the lowest rates of jobseekers.

On the other side of the ledger, however, Israel registered the highest trade deficit and the second highest inflation rate. The trade deficit rose to $8.3bn, compared with $6bn last year. The consumer price index climbed to 12.3 per cent from 11.2 per cent in 1993. Private consumption leapt 9.3 per cent, investment in machinery and infrastructure by 17.3 per cent.

While celebrating Israel's economic health, independent analysts are predicting a slow-down in 1995. Mr Ya'acov Sheinin, president of the Tel-Aviv forecasting firm, Economic Models, commented yesterday: "These figures mean that the Israeli economy has huge potential. The problem is that after so many years of growth, you run into bottlenecks. We predict that next year the economy will slow down a bit, until the government does something about the housing shortage and inflation." *Eric Silver, Jerusalem*

US newsprint shortage worsens

A severe newsprint shortage and steep price increases have led some North American publishers to cut their paper consumption. The shortages, most acute on the West Coast, have been exacerbated by a strike at Fletcher Challenge Canada's three mills in British Columbia which began last week. Fletcher normally produces about 3,000 tonnes of newsprint a day. Publishers' inventories are typically low at this time of year. Strong demand, especially in the southern US, and exports to Europe, south-east Asia and Mexico have also tightened supplies. Gannett, one of the biggest US newspaper groups, is expected to reduce newsprint purchases by 2-5 per cent. *Bernard Simon, Toronto*

Thai, Malaysian ratings boost

Standard & Poors, the rating agency, has raised its credit ratings for Thailand and Malaysia's long-term foreign-currency debt. Malaysia's rating was raised to single-A-plus from single-A while Thailand's rating was raised to single-A from single-A-minus, with a stable long-term outlook for both. Malaysia's upgrading reflects the country's steady progress in diversifying its export-based economy, prudent macroeconomic management and a political system that balances the demands of its multi-ethnic society, the agency said. Cautious fiscal and monetary policies had led to strong economic growth, averaging 8.7 per cent in the past six years, along with moderate inflation and a strengthening of already robust finances, it added. Thailand's upgrading reflects the maintenance of the country's external payments position and the consolidation of civilian-led democratic rule since 1992, according to S&P. *Conner Middelmann, London*

US leading indicators ahead

The US official index of leading indicators rose 0.3 per cent last month, providing further evidence that economic growth is likely to remain robust in the first half of 1995. The increase in the index, intended to give early warning of changes in economic trends, exceeded most analysts' expectations. It followed a revised 0.1 per cent decline in October and a gain of 0.1 per cent in September. Officials said the index had been boosted by positive contributions from five indicators including orders for plant, equipment, orders for consumer goods and materials, claims for unemployment insurance, and commodity prices. Other indicators, including share prices and the money supply, contributed negatively. *Michael Prowse, Washington*

French banks raise loan rates

French banks raised their base lending rates by three-tenths of a percentage point yesterday, passing this month's increase in money-market rates on to their customers. Société Générale was the first to announce it would raise its base rate to 8.25 per cent from 7.95 per cent from today. Crédit Lyonnais and the CIC banking unit of insurer GAN followed suit. Banque Nationale de Paris and Crédit du Nord said they would increase their rates next Tuesday. Most other French banks are expected to follow suit. *Reuter Paris*

Chinese offshore output dips

Crude oil and natural gas output from China's onshore oilfields will fall short of projections this year but rebound slightly in 1995, according to figures released yesterday by the China National Petroleum Corporation (CNPC), the country's top oil producer. China became a net oil importer in 1993 and has struggled to maintain production levels for its maturing fields as imports have increased sharply to meet soaring energy needs. Onshore crude production in 1994 will stand at 139.4m tonnes and natural gas at 15.9bn cubic metres, 0.6 per cent and 3.2 per cent above state-set targets respectively, CNPC said. The 1994 output is below CNPC's January projections of 140m tonnes of crude and 16bn cu m of natural gas. *A Correspondent, Beijing*

Immigrants worry Australians

Australia's federal government is being urged to step up pressure on China in an effort to halt a sudden influx of illegal refugees reaching Australia by boat from the southern Chinese city of Beihai. On Wednesday, a vessel with more than 70 people on board entered Darwin, the fourth in six days believed to be from the Chinese port town. This brought the number of boat people, predominantly Chinese, arriving in northern Australia this year to about 950, the highest annual total since the Vietnam war. More than two-thirds of the arrivals have occurred in the last six weeks. *Nikki Tait, Sydney*

Syria call to Israel supported

By Roger Matthews, Middle East Editor

Syria yesterday won the public backing of Egypt and Saudi Arabia for its demand that Israel must fully withdraw from the Golan Heights and south Lebanon as part of a comprehensive Middle East peace agreement.

After a two-day meeting in Alexandria, President Hosni Mubarak of Egypt, President Hafez al-Assad of Syria and King Fahd of Saudi Arabia issued a statement which also called for Iraq to abide by United Nations Security Council resolutions and for the removal from the region of all weapons of mass destruction, a reference to Israel's nuclear stockpile.

The surprise summit was held at Syria's request after growing concern in Damascus that Israel was winning wider recognition in the region despite continuing to occupy Arab land. Mr Assad is understood to have been particularly concerned at the visit earlier this week to Oman by Mr Yitzhak Rabin, Israeli prime minister.

The Syrians hope that yesterday's statement by Saudi Arabia, the dominant nation in the Gulf Co-operation Council, will put pressure on the other five members to await progress in the peace negotiations before establishing links with Israel.

The summit may also herald a concerted effort to rebuild Arab bridges after the divisions caused by the 1991 Gulf war and the unilateral decision by the Palestine Liberation Organisation to sign a separate peace agreement with Israel.

The three leaders said they "highly appreciated Syria's serious efforts" to make the deadlocked peace process a success and urged the US and Russia, the co-sponsors, to work towards "removing the obstacles the Israeli side puts in the road to peace".

They also urged Iraq to abide by all UN resolutions "to alleviate the suffering of the brotherly Iraqi people and provide a suitable atmosphere for stability in the Arab world".

Populist who struck it lucky in Brazil

President Franco is set to hand over peacefully, writes Angus Foster

In the film Being There, Peter Sellers played a nobody whose simple philosophies enchanted the public and nearly propelled him to the White House. In Brazil, where real life often seems stranger than Hollywood, the story came true.

Mr Itamar Franco, a small-town politician almost unknown outside his home state of Minas Gerais, was picked as running mate for Mr Fernando Collor, who at first appeared to have little chance of winning 1989's presidential election.

After Mr Collor won, then resigned two years ago, Mr Franco was swept into the presidency and has appeared startled by the television lights ever since.

After a disastrous beginning, Mr Franco has won over many Brazilians. In July, his government launched a new currency, the Real, which brought inflation tumbling down and greatly helped the poor.

Instead of being booed during walkabouts, as happened earlier this year, he is now applauded. When he leaves office on January 1, he will hand over to a successor he helped elect.

Explaining these successes is as complicated as Mr Franco's unpredictable character. Brazil's economic and political outlook improved under his leadership, but historians may decide this was due to luck rather than presidential judgment.

A populist who took office with a poor understanding of economics and few political allies, and prone to lose his temper, Mr Franco, 64, often appeared to have little appetite for the job.

After probably his most embarrassing moment, when he was photographed flirting with a knickerless actress at this year's carnival, he compounded the error by telephoning her the next day. The actress, who was trying to revive her career rather than pick up the president, let the press listen in on the conversation.

Despite such setbacks, Mr Franco's two-year presidency will be remembered as a time of opening for the protected economy, and for the Real, which looks to be the country's best chance yet to kick its inflationary habit.

Sadly for Mr Franco, his predecessor Mr Collor will probably gain the credit for the first of these achievements, while his successor Mr Fernando Henrique Cardoso will be praised for the second.

It was Mr Collor who cut average tariffs from more than 50 per cent to 14 per cent and told industry to improve productivity. Mr Collor also agreed with President Carlos Menem of Argentina that the Mercosur customs union linking the two countries with Paraguay and Uruguay should be accelerated and come into effect on January 1 1995 rather than five years later.

The opening of the economy, as well as disastrous shock measures from 1990 designed to combat inflation, sent Brazil into deep recession.

When it started to recover in 1993, helped by a more competitive private sector and rising commodity prices, Mr Collor was out of office and Mr Franco was in place to take the credit.

Although he was criticised for appearing to have no overall economic policy, and for losing three finance ministers in seven months, Mr Franco's first full year in office saw gross domestic product grow by about 5 per cent, compared to zero or negative growth since 1990.

This year, helped by the Real's success, growth should be about 4 per cent.

Mr Cardoso's appointment in May last year as Mr Franco's fourth finance minister was the real turning point for the government's fortunes.

Mr Cardoso, a former academic and skilled politician, assembled a team of economists to launch a new currency specifically designed to stop inflation and elect him as the next president.

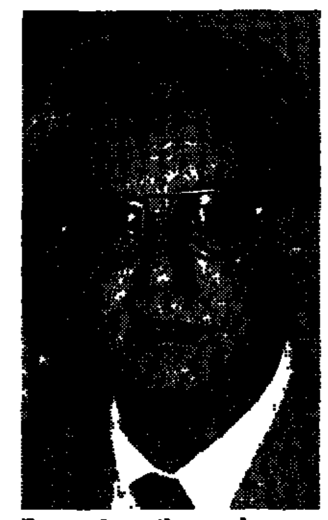
Mr Franco also agreed, for the first time since becoming president, that he would cede control over the economy to the finance ministry.

"Other than personal friends, the president only fully trusted Fernando Henrique Cardoso, who was also the only man alert enough to [Mr Franco's] sensitivities," according to an outgoing government member.

After the Real's introduction in July, popularity ratings for Mr Franco and his government rose as quickly as inflation fell.

Mr Cardoso's votes also mounted, and he comfortably won October's election. In Brazil's turbulent politics, Mr Franco is one of the few presidents to have handed power peacefully to his chosen successor.

Mr Franco said recently that a big regret was his failure to increase the minimum wage, because of a lack of funds. Critics are harsher, pointing out that his prickly character and style of management often left the government leaderless, with different ministries unaware of each others' actions.



Franco: boos, then applause

His refusal to back much needed constitutional reforms earlier this year ensured their failure.

His occasional outbursts, such as a threat to ignore an unfavourable Supreme Court ruling, reinforced international perceptions of the fragility of Brazil's institutions.

Yet, as at the end of Being There, Mr Franco's supporters are already musing about his chances of running for the presidency in 1998.

CIA chief who quit the troubled world of spying

By Jurek Martin in Washington

Mr Jim Woolsey, who resigned late on Wednesday as CIA director, has personal qualities that do not quite fit with the conventional image of espionage shaped by real spies. He is gregarious, fond of sailing and singing, and quite willing to talk about his trade.

Indeed, these days old spies tend to talk a lot. Earlier this week Mr Aldrich Ames, the unearthed Soviet "mole" who was the heaviest cross Mr Woolsey had to bear, went on television to discuss his treachery quite freely. Earlier this month, a whole gaggle of past and present spies and scholars convened at Harvard for a public forum which saw one former director, Mr Stansfield Turner, confess that intelligence estimates of the Soviet threat he provided to President Jimmy Carter "were not much help".

Even the cost of intelligence is no longer the closed book it was. In November, a congressional sub-committee inadvertently released details of the $28bn (£17.9bn) national intelligence budget, of which the CIA's particular slice was disclosed at $3.1bn, half as much again as the State Department's (military intelligence, much of which is electronic and to which the CIA has access, accounted for $23.6bn).

Not since the 1970s, when past CIA activities from Cuba to the Congo were made public, has the agency been so much in the spotlight and subject to so much analysis and criticism. This year Congress got into the act by setting up a bipartisan commission under Mr Les Aspin, President Bill Clinton's first defence secretary, and Mr Warren Rudman, the Republican ex-senator from New Hampshire, to define new missions and purpose for America's spies.

From all this comment, much predating examination of the political entrails surrounding Mr Woolsey's resignation, a composite picture of a troubled CIA emerges. Salient points include:

- An "old boy" culture protective of its own. This was most evident in the failure to detect Mr Ames's activities in the face of what now looks like overwhelming evidence, such as a personal lifestyle out of kilter with his modest salary. Yet Mr Woolsey, in the hope that miscreants could be reformed, gave them the disciplinary equivalent of a wrist-slap. A sexual harassment suit brought by a highly regarded woman case officer denied promotion was so strong that the agency settled out of court.

> This year Congress set up a commission to define new missions and purpose for US spies

- Deep divisions between the new breed of intelligence analysts and the old operational cold war warriors, described at Harvard by Mr McGeorge Bundy of the Kennedy and Johnson administrations as "hard-boiled, activist, give-us-the-job, anti-Communists". It was the latter school who went to great lengths to besmirch the reputation of President Jean-Bertrand Aristide of Haiti, thus immensely complicating administration efforts to restore him to power, and who continued to produce reports on leftwing dissidents around the world or Russian crop estimates, often duplicating the work of the media and academia.
- No real consensus on a post-cold war mission in the face of proliferating demands for intelligence both because of old targets (Moscow, Beijing and Pyongyang) and new ones dotted around the world (Algeria being merely the latest).

Mr Woolsey's supporters argue that he had quietly done much to rationalise electronic surveillance, including a controversial extension into commercial intelligence-gathering, and had improved the quality of CIA analysis. But this never satisfied his congressional critics, especially when he sought exemption from budget cuts or tried to explain why he had not hung up by the thumbs those implicated in the Ames affair.

All this is a far cry from the last heyday of espionage under President Ronald Reagan when Mr William Casey more or less did with his CIA what he liked and if blocked, as over the Iran-Contra scandal, found other ways of doing it, like recruiting Colonel Oliver North. But Mr Casey never felt accountable to anyone, even, it seemed, his president. This is not the fortune of today's CIA.

Antonio Di Pietro, star of Italy's clean hands investigations until he resigned this month, has become a celebrity after exposing an entire political generation

Scandal month by month

JANUARY
Brazil corruption report names 18 leading politicians

FEBRUARY
Malaysia bans state contracts with UK amid corruption controversy

MARCH
Berlusconi's election followed by sustained corruption charges

APRIL
Resignation of Japanese prime minister Hosokawa in bribery scandal

MAY
Mexico's attorney general resigns amid corruption claims

JUNE
Chairman of House ways and means committee charged with corruption in US

JULY
French communications minister resigns amid corruption charges: others follow

AUGUST
Colombian police corruption scandal; South Korea investigates bribery in nuclear industry

SEPTEMBER
China's Communist leaders call for renewed campaign against corruption

OCTOBER
Two British ministers resign following "cash for questions" furore

NOVEMBER
Repeated media allegations of government corruption in Spain

DECEMBER
Indian ministers resign after securities market scandal and sugar shortages

Politics, money and crime: a world on the take

1994 has seen corruption making headlines across the globe. **Andrew Adonis** explains why

This has been a year of concern about corruption the world over. Gone are the days when developed countries could smugly believe they had outgrown endemic corruption or the Anglo-Saxons that they were not like the southern Europeans and Latin Americans.

Three broad categories of illicit practice are evident. The first could be called "sleaze" – dubious practice on the margins of impropriety, involving relatively small sums and favours. Congressional scandals in the US and the "cash for questions" furore in the British parliament belong here.

In both cases, offenders took advantage of lax rules or found themselves in the darker grey regions of tolerable practice. In the UK, it was not previously clear that MPs should declare *all* outside income in the Register of Members' Interests, while there was no clear divide between "acceptable" consultancy fees and "unacceptably" pocketing fees for posing parliamentary questions.

Sleaze is readily tackled by tighter rules and more effective policing, though if parliamentarians and officials feel themselves underpaid, some are bound to seek dubious earnings.

The same applies to the second category – corruption associated with "re-inventing government". As executive restructuring advances, with contracting-out, privatisation and devolution at its heart, new institutions are thrown up without the cultural or regulatory safeguards of the old. France and the UK are the year's foremost cases, France with scandals involving new regional councils and the contracting-out of municipal services, Britain through dubious practices in new state agencies, particularly in the health sector.

The moral is clear: it is rash to assume that safeguards against corruption, however deeply embedded in existing institutions (such as the élite national civil services of Britain and France), will take root elsewhere without strenuous inculcation.

The third category of corruption – the endemic, enjoying a wide measure of social tolerance and flourishing *despite* rules to prevent it – is the most difficult to address. This is because it is the most deeply rooted, and comes in a wide variety of forms.

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In some cases, such as Japan, the exchange of favours for cash is a common practice. In others, notably Yeltsin's Russia, extortion and racketeering are widespread and the rule of law weak; with dictatorships, the economy often becomes little more than a private fiefdom.

Furthermore, the exposure of such corruption often has more to do with a change in circumstances – such as, in Italy, the rise of assertive judges – than with an increase in corruption *per se*.

The past year has shown that where corruption is endemic it is hard to tackle. France, India, Japan, Italy and Brazil – to take the most notorious cases – have seen governments elected with the eradication of corruption as prime objectives founder helplessly, in some cases with "reformist" ministers – even prime ministers – charged with complicity in corruption.

Endemic corruption has an impact outside the countries immediately concerned because those doing business with them are almost invariably sucked in. Strict controls, such as those imposed by the US on its companies abroad, are not panaceas, although Dr Mark Pieth, chairman of the OECD working group on international business bribery, would like to see them more widely adopted. In Africa and Asia-Pacific, it is an open secret that many western companies use local joint venture partners to engage in the bribery needed to win contracts.

So what is being done? Where the reliance of politicians on corporate cash has caused scandals, state funding of political parties is a stock response. According to Dr Karl-Heinz Nassmacher of Oldenburg university, such funding has grown "dramatically" in the past 10 years.

State aid can help substitute for big corporate donations, but it rarely gets to the root of the problem, which is the expense of election campaigns. Dr Michael Pinto-Duschinsky, an expert on party finance at Brunel university, says: "Anti-corruption policies largely focus on management techniques, rather than on limiting campaign expenditure – and therefore reducing the debts which politicians have to pay." France, where the launch of generous state aid in 1988 did nothing to avert this year's scandals, is a case in point.

Where institutions exist – such as the Milan magistracy in Italy – prepared to tackle endemic corruption, the process may start internally. Where such forces are weak, the task is far tougher. In extreme cases, such as Nigeria, all of whose key institutions are generally regarded as tainted, it means starting practically from scratch.

Encouraging multinationals to observe codes of non-corrupt conduct is one course. External publicity can also help; so can aid in establishing new legal and administrative systems, particularly with those governments anxious to make a fresh start after democratisation.

To the fore in such efforts is Transparency International, a Berlin-based group founded 18 months ago which calls itself the "coalition against corruption in international business". Led by a group experienced in aid, commerce and development, TI has no illusions about quick fixes. It is pioneering an evolutionary approach, relying on a combination of judicious publicity, and the promotion of tougher laws, tighter monitoring, and technical assistance.

TI's campaign focused at first on five or six governments in developing countries and central and eastern Europe which were prepared to participate. Ecuador has been in the vanguard, restricting tendering for big state contracts to corporations which have signed an anti-bribery pledge.

Yet it is a slow process. For as long as bribery is the path to contracts, companies are bound to engage in it. The US is a telling case in point. After cases such as the Lockheed scandal in the 1970s, US corporations are more circumspect than many of their foreign counterparts. But past trauma, and tougher laws, do not explain everything: with the Clinton administration campaigning worldwide on their behalf as never before, the incentive to bribe is reduced.

What of those without the clout of the US behind them? "It's business as normal," replies one cynic.

Reforms may prove to be a backward step

By William Dawkins in Tokyo

JAPAN

If corruption means the exchange of favours for cash, it is part of the fabric of Japanese society.

It has been increasing this year and is likely to go on rising in 1995. A new electoral system and elections for regional governors, mayors and part of the upper house this year suggests that the traffic in political influence, the root of most Japanese corruption, will get busier.

The definition of corruption in Japan is as relative as the country's own moral code. Prosecutors tend to pounce only when they believe the behaviour of a company or politician has gone beyond the limits of public acceptability.

To take only its most celebrated incident, the past year has seen the resignation of a prime minister, Mr Morihiro Hosokawa, over allegations of borrowing from a parcel delivery company linked to gangsters.

He was not prosecuted. It was a minor offence by the standards of the Lockheed bribery scandal of the 1970s and the Recruit shares for favours scandal of the 1980s.

More spectacular than Mr Hosokawa's fall was the arrest last year and continuing bribery trial of a former construction minister, Mr Kishiro Nakamura. The case is linked to bribery cases involving 30 construction company executives and local politicians – the largest such affair since the war.

On the corporate scene, there were revelations of bid rigging for overseas civil engineering contracts funded by Japanese development aid, plus insider dealing charges against 25 drug company employees.

All this has corresponded with a steady rise in public aversion to politicians. The latter have sought to improve their image by a sweeping reform of the political and electoral system, which took effect on Christmas Day. Ostensibly, the change is designed to make politicians less beholden to special interests. Many believe it will, at least in its teething stages, have the opposite effect.

It will make politicians fight harder for seats by replacing a multi-seat system, under which it was possible to get a seat with as little as 15 per cent of the vote, with a mixture of UK-style first-past-the-post single seat constituencies and European-style proportional representation regions. Corporate donations are to be curbed now and eliminated in five years' time, with a state subsidy for political parties, worth Y30.9bn (£198m) annually, thrown in as compensation.

However, analysts believe the new system will have the effect of increasing politicians' need for cash. Vote-buying has been an important part of Japanese politics since the formation of the Liberal Democratic party in 1955, and the main reason its top people have been so frequently caught breaking the law.

Under the old multi-seat system, LDP members often had to compete against one another to win seats. They were unable to offer voters a choice of policies, unless they had the good fortune to be one of the few LDP men standing against a Socialist. So an envelope stuffed with cash had to do instead; even better, a construction contract for a local company or a new swimming pool or road for an influential district.

A sitting member needed to spend Y200m to Y300m in the six months leading up to an election, and Y50m to Y200m in routine annual running costs, depending on the size of the constituency, just to stay in business, estimates Mr Dan Harada, a political consultant.

Under the new system, the average politician will need to collect nearly twice as many votes as before to get elected. He will have to be top of the poll, rather than in the first five or six.

He or she will also be under just as much pressure as before to buy those extra votes with cash, rather than policies. The recently formed main opposition party, the New Frontier party, espouses policies largely indistinguishable from the LDP, while the Socialist party has dropped most of its left-wing baggage to forge a coalition with the LDP.

Corruption has become so pervasive the practice carries no stigma

By Robert Graham in Rome

ITALY

Anti-corruption investigations have decapitated Italy's post-war political élite and discredited hundreds of businessmen and civil servants.

Yet after almost three years of investigations spearheaded by Milan magistrates, the impetus is beginning to wane and public interest to decline. The magistrates' battle to stamp out the worst aspects of corruption is also degenerating into a conflict between the judiciary and the executive branch of government.

The most spectacular instance of this conflict is the move by Milan magistrates to incriminate Mr Silvio Berlusconi, the outgoing prime minister, for permitting corrupt practices in his Fininvest business empire. Mr Berlusconi's government countered by sending inspectors from the justice ministry to check on the activities of the Milan magistrature.

Mr Berlusconi claims he is the victim of a judicial vendetta and says he has done no wrong. He moreover defends his younger brother, Paolo, who has admitted paying L330bn (£128m) in bribes to the Guardia di Finanza, the financial police, to ensure favourable inspections of Fininvest accounts.

In one sense Mr Berlusconi is right about the vendetta. Milan magistrates have picked upon him: as owner of Italy's second largest private company, they want to make an example of him in what might be called the second phase of the anti-corruption investigations.

The first phase ended with the collapse of the old political parties and the success of Mr Berlusconi's Forza Italia movement in the March 1994 general elections. That phase was intended to expose the incestuous and corrupt relationship between business and politics.

Businesses funded the political parties with illicit contributions to individuals, internal movements and party secretaries. How much of this money was used for political activities as opposed to lining individual pockets is still a mystery. People have only admitted to what has been proven against them and most of the money was channelled outside the Italian banking system (mostly to Switzerland, Monaco and Luxembourg). In return the businesses were allowed access to state subsidies, were awarded rigged contracts and were protected from external competition.

The most detailed exposé has concerned the Ferruzzi-Montedison industrial group which spent more than L150bn (£58m) between 1989 and 1992 in ensuring political protection. However, the Ferruzzi family and former top executives insist their pay-offs were involuntary – a defence raised by every business involved in corruption scandals. In other words businessmen were the corrupted not the corruptors.

The second phase of investigations is intended to demonstrate that the distinction between corruptors and corrupted is spurious. The core proof is emerging from an investigation into the Guardia di Finanza. This involves 50 members of this force plus many prominent business names.

The Guardia di Finanza are accused of taking bribes to turn a blind eye to poor or dishonest accounting and in return for low tax assessments.

In Italy it is common knowledge most companies keep two sets of books and that tax evasion is widespread. Pervasive corruption is encouraged by large sums of "grey" money that escape the tax net. If companies pay large bribes they can be dressed up as fake consultancy fees but more simply they are never registered in the formal books.

This lack of transparency is encouraged by the existence of a huge criminal world, which has enjoyed a degree of political protection and which needs to launder money on a vast scale and by the fact that the bulk of "legitimate" business is carried out by very small family concerns which are not easy to monitor.

Businesses claim it is simpler to bribe the Guardia than face difficulties. The Milan magistrates argue the businesses have put themselves in a position where they have things they wish to keep quiet and are therefore willing to pay. The magistrates are out to break this relationship and demonstrate that bribing a public servant – one in uniform who polices the most sensitive aspects of the nation's finances – is a serious crime and not something "that everyone does".

The Guardia inquiry has shown public servants and businessmen brazenly continuing corrupt activities, even when the nation has been convulsed by corruption scandals. In part this is because corruption has become so pervasive the practice carries no stigma. But people are also encouraged to feel immune from prosecution by judges who have proved corruptible and by a judicial system that can be tied in knots by a jungle of contradictory laws.

The issue has perversely become not how to stop the practice but how far the magistrates should be allowed to go in their investigations. The investigative process – let alone the passage through the courts – could last well into the next century. Politically such an open-ended timetable is highly destabilising. Yet any government that seeks to find a political solution risks being accused of letting the thieves go free and undermining any subsequent attempt to impose new moral standards on society.

Rules of the game become ever tighter

By Jurek Martin in Washington

UNITED STATES

It was only about 30 years ago that an intrepid reporter summoned up the nerve to ask Orval Faubus how it was that since he was born dirt poor and had never earned more than $10,000 a year as a multi-term governor of Arkansas he was able to retire to a splendid mansion. "I was parsimonious," was the reply, and that was pretty much the end of the story.

He could not have got away with the answer today. Hardly a week passes without an elected or public official coming under the investigative gun of the media and a federal, state or independent counsel.

This year two Washington heavyweights bit the dust. Mr Dan Rostenkowski, quintessential product of the Chicago Democratic political machine that always used money to grease its efficient political wheel, was forced to step down as chairman of the House ways and means committee after being indicted on several counts of misusing congressional funds. (He was later defeated at the polls.) Mr Mike Espy, agriculture secretary, resigned because it was alleged he had accepted sports tickets and other favours of fairly nugatory value from agribusinesses he was supposed to regulate.

It is said, with some accuracy, of Mr Rostenkowski and Mr Espy that they failed to understand there had been changes to the once lax rules of the game applied in Congress where often modest favours (such as hospitality) were received and dispensed.

At the heart of the Whitewater affair is the suspicion, still unproven, that money flowed in a clandestine manner from business interests to then Governor Bill Clinton's campaigns in Arkansas and, perhaps, subsequently at the national level.

Congressman Newt Gingrich, the next Speaker of the House, is the subject of persistent questions about the funding and uses of his political action committee, the legal device through which so many politicians channel contributions.

Congressmen are also, by definition, beholden to powerful constituent interests. Senator Jesse Helms from North Carolina and Congressman Thomas Bliley of Virginia, for example, have never disguised their protection of their home state tobacco farmers, who have returned the favour with campaign money and, equally important, jobs for voters. In an era of ever more expensive elections, disappointing such interests can be costly.

Indeed, the rules of the anti-corruption game are forever changing, with the appearance of impropriety seeming to take precedence over the act itself. The Clinton administration came to power having campaigned against Republican "sleaze" and promised the highest ethical standards. Under its rules, no government official, high or low, may accept gifts or entertainment worth more than $20 per occasion or $50 per year from any single source, which has put a bit of a crimp in the Washington lunch trade, if nothing else.

Those who leave government now face tougher than ever curbs on their ability to walk through the revolving door into related commercial activities, especially if run by non-American interests. The restrictions may seem petty, even a disincentive to public service, but the climate of the times and voices such as that of Ross Perot demand them.

The administration also touts reform of campaign financing and lobbying as effective antidotes to the appearance of an unhealthy relationship between politics and money. But two bills to this effect foundered in the autumn on the rocks of Republican filibusters. Lobbying reform, which had enjoyed broad bipartisan support, may resurface in the next Congress with new ceilings on entertainment and travel and possibly a mandatory register of lobbyists and fuller disclosure of their activities.

But public financing of congressional elections, the simplest way of levelling the financial playing field and already in effect in the race for the presidency, profoundly divides the two parties. Experience of previous experiments in campaign finance reform – which do now place limits on individual and special interest contributions – merely prove that money will find its way to its destination regardless.

Curiously, US politicians may be held in low regard for their ethical standards but the evidence of endemic and wholesale political corruption remains relatively thin. The main difference is that any American hand caught in the cookie jar, no matter how small the haul, may end up raised in front of a grand jury.

FRANCE

Brave judges pursue ministers

By David Buchan in Paris

A wave of French corruption scandals this year has led to the resignation of two ministers, the detention of a third and of a senator, the investigation of the presidents of Alcatel and St Gobain as well as of lesser company bosses, and widespread pressure for a divorce between corporate money and politics.

As a result, just before Christmas, the French parliament passed a law banning company donations to political parties and candidates.

Though he was later forced by public opinion to back new legislation, prime minister Edouard Balladur's initial reaction was to argue that the very fact that scandals were surfacing was proof that existing political financing laws were adequate.

To a large degree, he was right. Magistrates are without doubt bolder in their targets and their tactics than they were. A Lyons magistrate had little hesitation in detaining Mr Alain Carignon, the former communications minister, in prison on charges relating to the award of a water contract to Lyonnaise des Eaux by the city of Grenoble, of which Mr Carignon is still mayor. A judge from Rennes has relentlessly pursued Mr Gérard Longuet, the former industry minister, over allegations concerning his personal finances and those of his Republican party.

One particular politician-businessman, Mr Bernard Tapie, has complained of a witch-hunt, noting that over the past 18 months investigation of his tangled affairs has involved 60 fraud squad officers detaining 74 people and taking no fewer than 230 sets of fingerprints. Yet it could be argued that it was only Mr Tapie's inclusion in the last Socialist government that prevented these investigations from starting earlier.

However, it appears that the the volume – not just the visibility – of corruption may be on the increase, for several reasons. One is that the crackdown on the Mafia in Italy has led organised crime to branch into neighbouring regions, such as the French Riviera. French magistrates now meet regularly with their Italian counterparts to tackle this.

A more general problem is the consequence of the past 10 years of devolving more power from Paris to the country's 22 regions and 95 departments. This puts more power to award contracts into the hands of local politicians. And they have used this power.

Part of France's new anti-corruption legislation is designed to make the award of public contracts more transparent and therefore less open to suspicion of sweetheart deals between contractors and local politicians.

But the law's total ban on corporate contributions to political parties and candidates will return the country to its pre-1988 situation when such contributions were illegal – in theory punishable as a misuse of corporate funds, but in fact widespread and tolerated.

"This will just bring back the era of the bag men," predicts Mr Guy Carcassonne, a Paris law professor who helped the Rocard government design its 1990 law. This legalised limited corporate political contributions and required them to be reported to a control commission. It has hardly had time to work, and the fear now is that corporate money will continue to flow to politicians, but in envelopes and suitcases.

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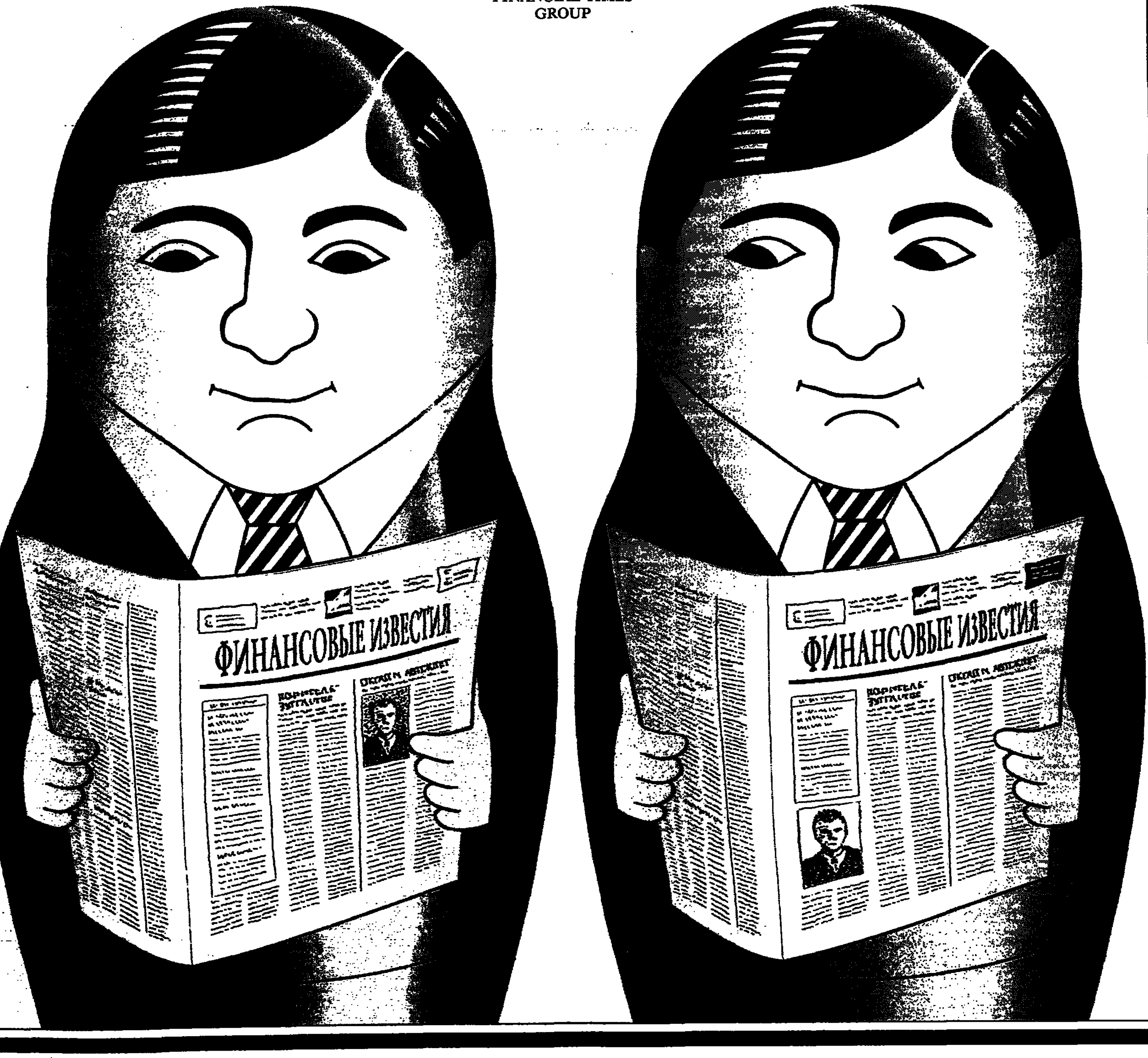


Britain cautious over Hualon project

By Jimmy Burns

British government officials yesterday appeared to be backing away from their unequivocal endorsement of the controversial plan by Hualon Corporation of Taiwan to build a £160m textile plant outside Belfast.

The Northern Ireland Industrial Development Board is seeking detailed information from local officials in Taiwan about the repercussions for the Hualon Corporation of the indictment on wednesday of Mr Oung Ta-ming, the effective head of the Hualon group, and 33 businessmen linked to him on share manipulation and other fraud charges.

"The Hualon project is clearly fraught with problems, no doubt about that. We said we were dealing with a respectable and successful company. Now we have this," a British official said yesterday.

The IDB confirmed that it was delaying giving approval to the start up of construction of the plant until the outcome of legal action in the European Court in which European textile and clothing manufacturers ae challenging to a £61m government grant to Hualon.

The case alleges the European Commission broke its own rules by approving the aid earlier this year. European manufacturers argue that the plant will add to capacity and threaten jobs in an already over-supplied sector. The case is expected to take about 18 months. Construction was originally due to get under way by autumn this year.

The IDB said it was "monitoring developments in Taiwan closely" and "seeking clarification" to establish what involvement – if any – those indicted had with the Hualon project in Northern Ireland.

It added that he expected the indictment of Mr Oung to be among factors "taken on board" by the European court.

Mrs Jennifer d'Abo, a former IDB director who resigned last month in protest at the project, said last night it should now be scrapped.

She said: "This may mean a postponement of some of the jobs promised but I believe there are other inward investments which Northern Ireland could count on in the future."

She said that before she resigned she had written to senior officials of the IDB asking for detailed information about pending criminal proceedings against Hualon executives, but had never received a satisfactory answer.

Mr John Spellar, Labour's Northern Ireland industry spokesman, said the indictment of Mr Oung was a "matter of considerable concern which ministers should be looking at urgently."

The Hualon Teijran Corp which announced the Northern Ireland investment earlier this year was not named in indictment documents. Mr Oung is thought to control the company, however, and was present in June at a joint ceremony marking the announcement.

The British Apparel and Textile Confederation said it was also asking the government to "review" its support for the Hualon project.

Official R&D spending lowest in past decade

By David Owen

Britain's Department of Trade and Industry is spending less on research and development than at any time for at least a decade.

Figures this month show the department's R&D expenditure is about to fall to £245m in the present financial year from an estimated £310m in 1993-94 and about £500m a year in the late 1980s. R&D spending is expected to account for just 17.8 per cent of total departmental expenditure in 1994-95, down from 23 per cent in 1993-94 and more than 33 per cent at its peak in 1987-88.

The opposition Labour party pounced on the figures, saying they made a "farce" of the government's claims to be a supporter of British manufacturing and innovation.

Mr Brian Wilson, a Labour frontbench trade and industry spokesman, said nobody but the government believed cutting support for R&D made sense. "In our competitor countries, R&D is regarded as essential investment rather than an easy target for spending cuts," he said.

Mr Richard Caborn, Labour chairman of the Commons trade and industry committee, was "very concerned" about the downward trend. "We ignore it at our peril," he said.

Mr Michael Heseltine, trade and industry secretary, said the decline in R&D spending reflected fluctuations in the amount of aid provided by the government in civil aerospace investment over the period in question.

In the first half of the decade, launch aid payments far outstripped receipts, Mr Heseltine said. That situation had now been reversed.

From £32.9m in 1992-93, launch aid payments are expected to fall to an estimated £4.6m in 1993-94, £6.6m in 1994-95, £25.3m in 1995-96 and £8.4m in 1996-97. The government's net receipts, which it gets once projects reach a certain production stage, were an estimated £58.1m in 1993-94 and are budgeted to rise to £80.9m by 1996-97.

Mr Heseltine said there had also been a "substantial" cut in energy R&D spending. He said the principal factor was the decision to withdraw from research on the prototype fast nuclear reactor at Dounreay.

Mr Wilson retorted that if support fell off in one area, such as the Dounreay reactor, it was "reasonable to expect a boost in some other needful area".

Fewer UK businesses fail

By Peter Norman, Economics Editor

Business failures in Great Britain fell sharply this year as economic recovery gathered strength and lifted the fortunes of small as well as large businesses, Dun & Bradstreet, the business information group reported today.

Its latest annual tally of business liquidations and bankruptcies showed a record 16.3 per cent drop in failures in England and Wales to 40,255 this year from 48,066 in 1993.

The drop for mainland Britain, including Scotland, was more pronounced at 21.8 per cent to 43,598 in 1994 from 55,733 last year.

This reflected a 56.4 per cent decline in Scottish business failures over the year to 3,343 from 7,667 in 1993, following changes in Scottish bankruptcy regulations which reduced the financial incentive for companies to be placed in bankruptcy.

The news was hailed by Mr Anthony Nelson, Treasury minister, who said this largest ever drop in the failure rate of businesses would boost confidence in job security.

Mr Philip Mellor, Dun & Bradstreet's senior analyst, said the last time the number of business failures in Britain fell as sharply as this year was in 1987, before the recession.

However, at that time the number of companies going out of business was far smaller, at less than 20,000 in England and Wales.

Dun & Bradstreet takes the view that the bankruptcy figures are a good proxy for small company failures while medium and large companies go into liquidation.

After stripping out the exceptional Scottish figures, the statistics for England and Wales showed a 15 per cent drop in bankruptcies to 24,505 this year from 28,846 in 1993.

Liquidations were concentrated in London, with just over 29 per cent of the British total in 1994 and 1993, and the south east with slightly more than 22 per cent in both years. Bankruptcies were concentrated in the south east, the south west and Scotland.

Softer line urged on bosses

Employers should renounce the macho management style of the 1980s and attempt to understand their employees' feelings, according to new official guidelines, Richard Wolffe writes.

Britain's Health and Safety Executive says employers need to pay more attention to their relationships with employees to prevent stress-related ailments in the workplace.

The guidance, to be published early in the new year, is the first official health and safety advice to deal with occupational stress.

"In the 1980s in this country, many employers shared the unfortunate attitude that admitting to stress was admitting to a personal weakness," says the HSE. "But we all have a threshold – even the tough guys have a threshold which, when crossed, can become a negative factor. We want to promote the preventive approach through education.

About 80m working days are lost every year because of stress, according to Department of Health figures published at the Confederation of British Industry conference last month. Mental health troubles, such as headaches, irritability and indecision, are estimated to cost the UK economy £3.7bn annually.

The HSE guidance, mainly aimed at small to medium-sized businesses, comes after a former social worker last month successfully sued his employer for negligence over his heavy workload.

Stress at work has risen alongside the fear of redundancy, according to a survey of 426 private and public sector companies. Research by white-collar union MSF showed that 43 per cent of employees feel poorly treated by their employers.

UK NEWS DIGEST

Ashdown warns of EU 'in danger'

Paddy Ashdown, leader of the Liberal Democrats – Britain's third major party – yesterday used his New Year's message to warn that the European Union was in danger of dying.

Strengthening the EU was Britain's best hope of containing nationalism in western Europe and preventing war in the east, he said.

Yet Europe's leaders and the British Cabinet were being "weak, diffident and uncertain" at a time when the argument for the EU was strongest.

"European Union is the most important political idea of our century. But it is in danger of dying just when we need it most," he said.

"Unless those who believe in the European project are prepared to stand up and defend their vision, then 1995 could be the year when the idea of union in Europe began to die for want of people with the courage to defend it," he added.

He said that Britain's Tories were going to have to choose between short-term survival of a discredited government and loyalty to the European ideal.

Blue-chips flock to Labour's Euro-event

Scores of blue-chip companies and trade associations are to attend a ground-breaking Labour seminar in Brussels, which looks set to make a sizeable contribution to the opposition party's fighting fund for the next general election.

According to conference organisers, close to 100 organisations have booked places at the event, which will take place on the afternoon and evening of January 10.

These include Hanson, the conglomerate, Marks and Spencer, the retailer, News International, the media group, National Westminster Bank and the Chemical Industries Association, a trade body.

The extent of corporate interest in the £500-a-head event is a fresh indication that business is starting to take Labour seriously.

The Chemical Industries Association said yesterday: "We are interested in meeting leading figures in all political parties. We are looking forward to an interesting and useful seminar."

According to one conference organiser, Labour's profit from the event – to be attended by more than half the party's 62 MEPs – is likely to run into tens of thousands of pounds.

Labour is claiming the seminar, which is to be addressed by Mr Tony Blair, the Labour leader, will be the biggest event ever organised by a British political party in Brussels.

Mr Wayne David, leader of Labour's MEPs, said the conference – to be called Labour Working in Europe – was designed to establish "close working links" between business and the Labour party at a European level.

Labour intends to follow up next month's seminar with regional events in the spring in Scotland, Wales and England.

Land Rover output hits record

Rover group has increased output of its Land Rover fourwheel drive sports utility vehicles by 39 per cent this year to a record 94,716 from 68,159 in 1993.

Rover, a subsidiary of BMW of Germany and the leading European maker of fourwheel drive sports utility vehicles, has gradually raised production of Land Rover vehicles from 1,800 a week in January to 2,600 a week this month.

At current levels output is set to rise steeply again next year to around 120,000.

Production has been increased in particular to meet rising worldwide sales of the Land Rover Discovery, which was launched in North America early this year. Total Land Rover sales in the US have increased by 138 per cent in the first 11 months this year to 10,094.

Crash law suit for US

Survivors of the Cormorant Alpha tragedy and bereaved families have won their fight to sue Shell, the major oil company, for compensation in the Texan courts.

Eleven people died when a Super Puma helicopter plunged into the sea during a "short hop" flight in appalling weather in the North Sea in March 1992. There were six survivors.

According to lawyers none of the survivors or the relatives of victims has to date received any compensation.

Air price cut war

British Airways today announced its biggest batch of bargains since its World Offer programme was launched in March, with cut-price fares available on more than 200 routes.

Savings on the usual lowest return fares range from £10-£20 on domestic UK routes to £454 for flights to Manila.

Tickets are on sale from today until January 18, with most departures available until the end of March.

The move brought an immediate response from Mr Richard Branson's Virgin Atlantic airline, which said it would undercut BA's prices by £1 on all routes which the two airlines both operate.

Gaming set for change

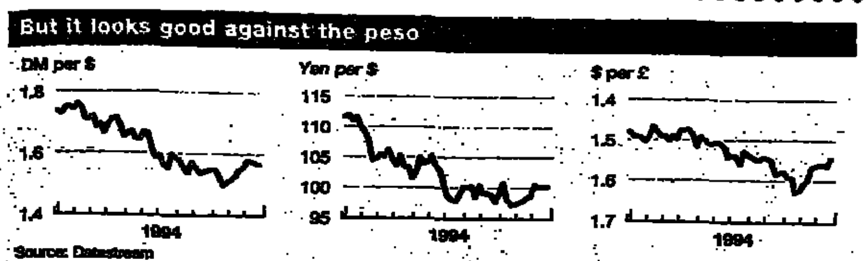
Gaming machines should be able to pay out all their prizes in cash instead of tokens, Mr Michael Howard, the UK home secretary, said yesterday. He also suggested that betting shops should be allowed to install gaming machines and that maximum cash prize limits should be changed.

The proposals, in a consultation paper to be issued by the Home Office early next year, were welcomed by the fruit machine industry.

هكذا من الاجل

THE YEAR 1994

But it looks good against the peso



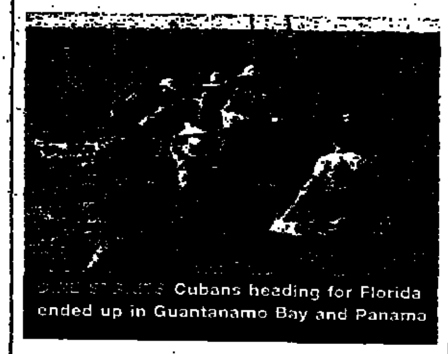
Source: Datastream

"I am a totally unexciting person."
Germany's new president Roman Herzog

"The headlines have already been written. Tomorrow's paper will read: 'Bozo, Baldheaded Old Senate Farts Still Don't Get It'."
Republican Senator Alan Simpson after an admiral who mishandled probe into sexual harassment at Tailhook convention was allowed to retire with a promotion

"In cultures that routinely eat beans, you don't hear a lot of complaining about flatulence."
Dr Gregory Gray, US Department of Agriculture expert on beans

"Her moral compass is as strong as anybody's in the country."
Bill Clinton on Hillary Rodham Clinton



Cubans heading for Florida ended up in Guantanamo Bay and Panama

Railway children
Jimmy Knapp
Bob Horton
One-track mind
Peter Tatchell
Two-track mind
Wolfgang Schauble
All aboard
Santa Fe Pacific

Quibbling over words and weapons did not douse the flames of hope sparked by ceasefire after 25 Troubled years

Noyaux durs
Alan Greenspan
Radovan Karadzic
Newt Gingrich
Soft centre
Forrest Gump
Cracker
Rush Limbaugh

Red herring
Red mercury

Slow starter
Eurostar
Late riser
Tomiichi Murayama

Forgone
Clause 4

Endogenous zone
Edward Balls

Putting on the Ritz
The Guardian

It could be him
Tony Blair

New king coal
Richard Budge

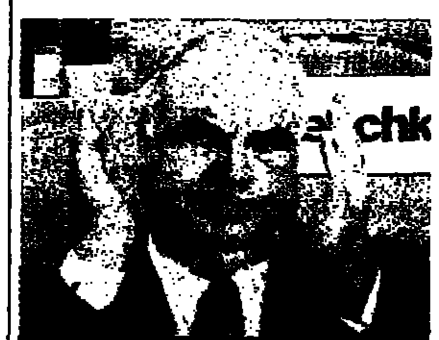
House of Disney
Lion King
Prince al-Waleed bin Talal bin Abdulaziz

Palestinians, in charge on their own soil, fell out among themselves

"Conservatives who fought in the war like Ted Heath and Willie Whitelaw would never have been guilty of turning the death of 36,000 soldiers, sailors and airmen into a television game show."
Lord Healey on the D-Day anniversary controversy

"We Romans are long used to being tolerant. Since Caligula proposed a horse to be senator we are not surprised by anything."
Green spokesman Massimo Scalia on proposal to nominate Northern League's Irene Pivetti, 31, as speaker of Italian Chamber of Deputies

"Mr Clinton better watch out if he comes down here. He'd better have a bodyguard."
Jesse Helms



Big man with a small majority

Under new management
US Congress, Westland, LOT, Revco, Win Low, Babycham, Snapple, Group Victoire, Attwoods, Sterling Health, Lysol, Lancer Boss, Diversified Pharmaceuticals Services, Massey Ferguson, Kidder Peabody, Lac Minerals, Hogg Group, Gerber Products, American Cyanamid, Ziff-Davis, Allison Engine, Control Techniques, Schickedanz, Kassbohrer, American Tobacco, Aden

"I am naturally sad about it, but given the background you cannot expect me to be overwhelmed with grief."
Sir Anthony Buck on departure of chief of the defence staff Sir Peter Harding, after disclosure of his affair with Lady Buck

"It is a bit annoying. It is like going through divorce proceedings and suddenly finding out that your partner is really good in bed."
Financial adviser to Pittencrieff on UK company's second thoughts about demerger

"Brokers, using terms such as 'marketability' and 'liquidity' sing the praises of companies with high share turnover... but investors should understand that what is good for the croupier is not good for the customer. A hyperactive stock market is the pickpocket of enterprise."
US billionaire Warren Buffett

"I asked President Scalfaro to call elections as soon as possible and I also suggested a date."
Silvio Berlusconi, illustrating why Italian is a Romance language

Brief shining moments
Rudolph Scharping
Jean-Luc Dehaene
General Sir Michael Rose
Camelot

Rough traders
Lord Archer
Brook Saib
Joseph Jett
Sergei Mavrodi

Lottery winners
Utility directors

PEACE PIPES Hussein and Rabin lit Mideast optimism

Penalty spot
Bruce Grobbelaar
George Graham
Dame Shirley Porter
Sawadi
Tottenham Hotspur
George Walker
Damned
Pergau

In
Austria
Finland
Sweden
Out
Norway

Spoils
VSEL
Spoiler
GEC
Spoiled?
BAe

Will the last one out...
Lloyd Cutler
Webster Hubbell
Bernard Nussbaum
Lloyd Bentsen
Dee Dee Myers
David Gergen

Landing rights
Kansai
Orly
White House lawn

Estonia and Cebu City ferry disasters cost more than 1,000 lives

Delors left French Socialists in a quandary by shunning presidential race

A to Z
Abo
Dawag
Chiapas
Di Pietro
Esab
Fayed
Grozny
Hamas
Internet
Javier de la Rosa
Kuchma
Lasmo
MMM
NVQs
Oe
Postism
Quangos
Rutland
Sicuro
Tapie
UBS
Viacom
Whips
X-Files
Yabba dabba doo
Zedillo

Brazil won World Cup on penalties

"I cannot help wondering if the Royal Family were less well protected and privileged would their children be taken into care."
Letter in the Daily Telegraph

"If we are to broaden the debate about constitutional reform as regards the monarchy should we not be considering the Russian as well as Scandinavian models?"
Letter in the Guardian

"No amount of clever words or verbal gymnastics can hide the fact that the government has made a fool of Britain in Europe, the cabinet has made a fool of the foreign secretary, and the prime minister has frankly made rather a fool of himself."
Paddy Ashdown

"Why don't you stand aside and make way for somebody else who can provide the party and the country with direction and leadership?"
Conservative MP Tony Marlow to John Major

John Smith "is the man who likes to say 'yes' to Europe - *Monsieur Oui*, the poodle of Brussels."
John Major

JUST LIKE THAT: Blair and Prescott lifted the spirits of a grieving Labour Party

On thin ice
Tonya Harding
National Hockey League

Nightmare before Christmas
QE2

Derivatives
Other 1994 reviews

Edited by
Clay Harris
Designed by
Andrew Chappin
Monthly review by
Motoko Rich
Graphics by
Joe Russ Birkett
Photographs by
Reuters / AP

JULY

Yasser Arafat comes home to Gaza and then Jericho as Israeli protestors clash with police in Jerusalem. Lasmo escapes Enterprise's bid. Colombian Andres Escobar is murdered for scoring an own goal and Brazil wins the World Cup in a penalty shoot-out. Derek Keys resigns as South African finance minister. Kim Il-Sung of North Korea dies; his son, Kim Jong-il, takes over. Leonid Kuchma wins Ukraine's first presidential election. Jacques Santer of Luxembourg is chosen as European Commission president. John Major shuffles John Patten out the door. Jeremy Hanley becomes party chairman, Michael Portillo takes on the (un)employment portfolio and Jonathan Aitken is appointed Treasury chief secretary. Tony Blair beats Margaret Beckett and John Prescott to lead Labour. Prescott elected deputy. Prince Charles admits on television he was unfaithful to his wife – but only after his marriage had "irretrievably broken down". Cholera breaks out among Rwandan refugees in Zaire. Salvatore Sciascia, senior manager at Fininvest, admits paying three bribes to Italy's financial police. The Department of Trade and Industry takes no action against Lord Archer. MMM, pyramid investment company, collapses in Russia. Culture minister Jacques Toubon launches a campaign to restrict use of foreign languages in France, and becomes known as "Mr Allgood".

AUGUST

Irish Republican Army calls "unconditional" – but won't utter the word "permanent" – ceasefire, after 25 years of Ulster violence. Five French gendarmes and consular officials are killed in Algiers. China and Taiwan reach their first substantial agreement since 1949. Bosnian Serbs refuse to endorse an international peace plan. Sergei Mavrodi, president of MMM, is arrested. Israel and Jordan open a new border crossing. Susana Higuchi decides to stand against hubby Alberto Fujimori in Peru's presidential election. The Fed lifts US interest rates again. "Carlos the Jackal" is captured. German with something to declare is arrested in Bremen with a stash of plutonium. UK inflation rate falls to lowest in 27 years, but "feel-good" factor is elusive. Another victim is caught in the Whitewater froth as deputy Treasury secretary Robert Altman quits. Florida declares emergency as Cuban refugees flood into the state. Clinton announces tighter trade embargo on Cuba and thousands of refugees are housed at Guantanamo Bay. Ethical investment manager Franklin Research and Development bins Body Shop International shares, citing concerns about its social and environmental activities. Earthquake kills 150 in Algeria. French troops quit Rwanda. Ernesto Zedillo wins presidential election in Mexico. Lockheed and Martin Marietta agree $10bn merger. Kelvin McKenzie falls from Sky.

SEPTEMBER

Albert Reynolds meets Sinn Fein, John Major ejects Democratic Unionist Ian Paisley from Downing Street, and Gerry Adams visits the US again. The Estonia sinks between Tallinn and Stockholm, with the loss of more than 900 lives. Britain's four-month rail dispute is finally settled. Lonrho's Tiny Rowland escapes a challenge from Dieter Bock (but not for long). Moslems and Catholics ally to protest against birth control and abortion at the International Conference on Population and Development in Cairo. Malaysia lifts its UK trade ban. John Major calls for a drive to displace "yob culture" in Britain. The fifth USAir crash in five years kills 132 people. Kenneth Clarke lifts UK rates to 5.75 per cent as GDP is at its highest level in six years. A small aircraft crashes into the White House. Dial-a-diplomat Jimmy Carter makes a deal with Haiti's junta leader Raoul Cedras, for return of ousted president Jean-Bertrand Aristide. US troops land in Haiti for Operation Uphold – or Restore – Democracy. John Major visits South Africa. Plague in India kills 50. Francisco Ruiz Massieu, secretary general of Mexico's ruling PRI, is assassinated. British Aerospace launches bid for VSEL, the UK submarine maker. Boris Yeltsin can't find his feet after landing in Dublin. Was he legless? Knock-knock. Who's there? OJ. OJ who? You're on the jury. Simpson's trial opens in Los Angeles.

OCTOBER

US and Japan reach partial trade deal. Tony Blair calls for the end of Labour's commitment to public ownership at the party conference. S.G.Warburg and Hambros release profit warnings. Major John Hewitt kisses and tells in "Princess in Love". The Mirror Group nabs Kelvin McKenzie. Iraq moves troops to Kuwait's border; the US deploys troops in the Gulf. The rouble plunges 21.5 per cent in one day and Boris Yeltsin sacks Sergei Dubinin, finance minister. The rouble climbs 20 per cent. Victor Gerashchenko, chairman of Russia's central bank, resigns. GEC launches £532 counter-bid for VSEL. UK inflation hits 27-year low. Japan's ministry of finance authorises security dealings by commercial banks. Palestinian police arrest 200 Hamas members in the search for a kidnapped Israeli soldier, who dies in rescue attempt. Hamas suicide bomb kills 22. Yitzhak Rabin and Yasser Arafat win Nobel peace prize. Israel and Jordan sign peace accord. Helmut Kohl wins re-election with a wafer-thin majority. Finland votes to join EU. Tory MPs Neil Hamilton and Tim Smith resign in "cash for questions" row. The US and North Korea sign accord to defuse nuclear tensions. John Paul Getty II helps save the Three Graces from extradition to California's Getty Museum. Sir Leon Brittan loses eastern European Commission's portfolio. Fernando Henrique Cardoso elected president of Brazil.

NOVEMBER

US voters deliver crushing blow to the Democrats, giving Republicans their most sweeping congressional and state gubernatorial victories in more than 50 years. Oliver North and Michael Huffington narrowly lose their bids for the Senate. Passengers and crew rescued from burning Italian cruise ship Achille Lauro. Fed raises short term rates by 3/4 point. Storms in Egypt kill 410; rainstorms in Italy kill 59. UK cabinet abandons the sell-off of the post office. After threatening a cabinet suicide-pact if rebels vote down an EU contributions bill, the government wins and strips eight Euro-sceptics of the whip. A self-flagellatory ninth un-whips himself. Tiny Rowland loses his struggle with *Dieter Bock. The UN and Nato attempt to* repel Serbs from Bihac. Sweden votes yes, Norway votes no to the EU. The bungled extradition of a priest accused of child abuse triggers a political crisis in Ireland. Violence in Gaza strip kills 11. A leaked draft reveals plans for Tory backbench "yobbos" to beat up Blair, metaphorically. British Gas chief executive Cedric Brown receives £205,000 pay rise. Clinton and Robert Dole, senate Republican leader, sign deal for Congressional approval of Uruguay Round trade pact. Berlusconi averts union strikes by conceding on pension reform. Kenneth Clarke's budget pledges £28bn public spending cuts and £680m for jobless programmes.

DECEMBER

Russia sends tanks, troops and bombers to break-away region of Chechnya. Cebu City sinks off Manila – 275 of 488 people are rescued. Tory rebels vote against raising VAT on household fuel to 17.5 per cent. In his second budget in 10 days, Kenneth Clarke plugs gap with tax on petrol, cigarettes and alcohol, then raises base rate to 6.25 per cent. Orange County investments turn to lemons, prompting California district to declare bankruptcy. Tsutomu Hata and Toshiki Kaifu compete for leadership of the New Frontier (literally "New New") opposition alliance. S.G.Warburg and Morgan Stanley announce merger talks and scrap them a week later. UK begins exploratory talks with Sinn Fein and calls for IRA to *lay down its weapons. Jacques Delors* ends weeks of speculation to announce he will not stand for French presidency. Israel and PLO deadlocked over Palestinian elections. Daily Mirror and Sun go to court to overturn injunction protecting the £18m National Lottery winner and then decide not to print his name. News of the World does. Maurice Saatchi, co-founder of Saatchi & Saatchi, ousted as chairman. Labour wins Dudley West by-election by huge majority. Fine Gael's John Bruton elected Irish prime minister. Silvio Berlusconi fights for his political life. Mexico devalues peso. French anti-terrorist police successfully storm hijacked Airbus at Marseilles.

The FT REVIEW of

"Co-operation – yes, compromise – no."
Newt Gingrich, Speaker-designate of US House of Representatives

"It doesn't matter how much good I do the rest of my life, I can't ever outweigh the evil that I've caused by helping him to be elected to Congress."
Kip Carter, Gingrich's former friend and campaign treasurer

Three Men with a New Baby
Steven Spielberg
Jeffrey Katzenberg
David Geffen

Thank Yamamah
Mark Thatcher

"We have a Citizen's Charter which says you can get £5 back if you wait more than 15 minutes for a train, but what do you get back if you can't get on a train?"
Victoria Scott, parliamentary campaign officer for Radar and daughter of Sir Nicholas Scott, minister who misled House of Commons about government tactics to kill disabled rights bill

BOSSY AND FINIS A Roman empire rose and fell in only nine months

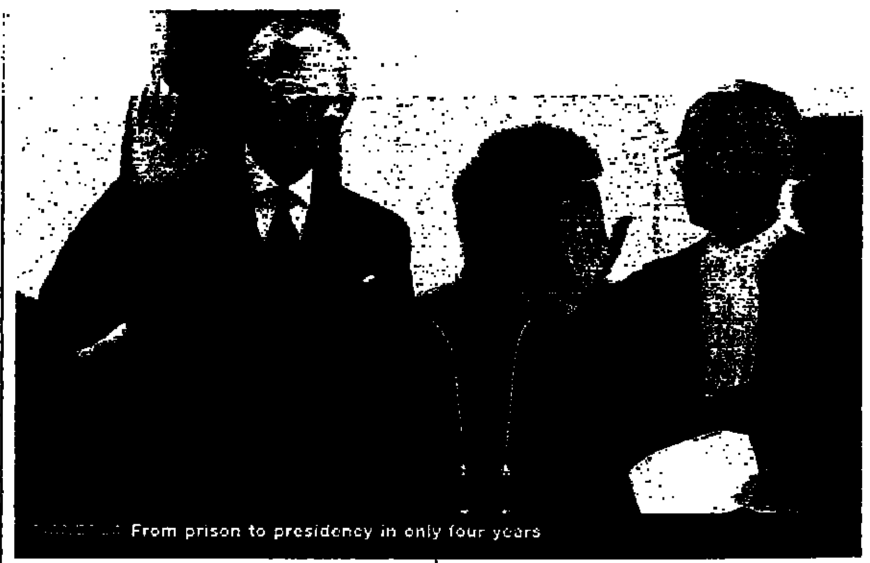
The colour of money
Cedric Brown
Faded
Conrad Black
Orange County

Outed
Richard Gott

"Banana fungicide poisoning Ecuadorean shrimps."
FT March 2

"Peseta features idle day."
FT March 9

"Indonesian needle maker launches rare exchangeable issue."
FT March 29


From prison to presidency in only four years

How late?
******** late!**
James Kelman

Read all about it
Lexis/Nexis
Find him elsevier
Peter Davis

"Quite frankly, if you bed people that I call 'below stairs class', they go to the papers, don't they?"
Jane Clark, wife of former defence minister Alan Clark, to news that her husband had had affairs with a woman and her two daughters

"I spend a lot of time giving people the benefit of my experience and they spend their time taking very little notice."
Sir Ian MacGregor, explaining why he was quitting UK corporate life and returning to the US

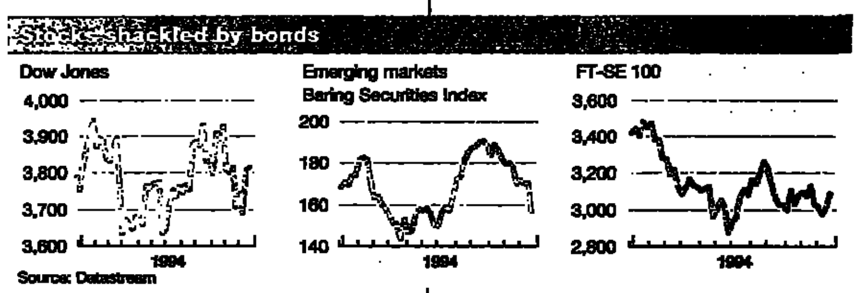
"Just because someone comes from a small country, that does not mean they cannot become a big president."
European Commission president Jacques Santer of Luxembourg

"If we don't want Americans to tell us where we go wrong, perhaps we should start asking questions ourselves."
Edward Pilkington in the Guardian on the James Bulger case

Exhibit A for sub judice

"Everytime I dial M for Murdoch I lose a finger, but I haven't lost a hand, and I still can punch."
Howard Stringer, president of CBS Broadcast Group, after eight US television stations changed their affiliation to Fox

"Where I come from, Cowes is something you rope."
Texan Bill Hellgbrodt of Service Corporation International, on hearing that directors of his bid target, UK funerals group Great Southern, were at yachting week




RWANDA Ethnic slaughter cost more than half a million lives

Four weddings
Lockheed - Martin Marietta
De La Rue - Portals
Viacom - Paramount
Jackson - Presley
A funeral
Swan Hunter

Betrothals
Lloyds Bank - Cheltenham & Gloucester
Leeds Permanent - Halifax
Left at the altar
S.G. Warburg
Kemper
QVC

Hanging on
Metallgesellschaft
Queens Moat Houses

Cut and run
Jürgen Schneider

Frequent flyer
Jimmy Carter
Grounded
US commuter airlines


Warne elaborated on Lara's theme

"I have no wish to move in absolute terms. The wish to move is in relative terms."
Sir Bryan Carsberg, quitting as the UK's director of fair trading

"Has he asked at reception?"
Hotel employee during English stage of Tour de France, on being told that cyclist Chris Boardman had lost the yellow jersey

"We played well, but playing well is no substitute for losing."
Rugby league player Phil Clarke after Great Britain lost Third Test to Australia, 23-4

"If Enoch Powell is right we're going to have to make a lot of changes to church architecture."
Catholic media office on being told of the theory that Jesus was not crucified

"He can't take care of his own business, much less ours."
Baltimore Oriole pitcher Ben McDonald asked if President Bill Clinton might intervene in the baseball strike

"Looks like I picked a bad year to have a good year."
Seattle Mariners baseball star Ken Griffey Jr

Debutants
3i, Japan Tobacco, Koninklijke PTT Nederland, Tele Danmark, BSkyB, Aerostructures Hamble, EDAP Elan, Telewest

"We are going to concentrate on pharmaceuticals from now on, rather than investment banking."
Glaxo Holdings, after losing £100m on financial derivatives

"Barring surprises, the trophy will go to one of a handful of top teams."
FT Guide to World Cup Football

"I wish to protest at the appalling waste of taxpayers' money in developing a missile with a range of 7,000 miles. Neither Paris nor Brussels is that far away."
Letter in Daily Telegraph

Shown the door
Tiny Rowland
John Patten
Maurice Saatchi
Morihiro Hosokawa
Tsutomu Hata
Tom Foley
Mario Cuomo
Ann Richards
Andrew Neil
Kelvin MacKenzie
Albert Reynolds
Ron Sandler
Myung-Whun Chung
Peter Sherlock
David O'Brien
Leonid Kravchuk
Neil Hamilton
Tim Smith
Michael Miles
Baroness O'Cathain
Peter Brose
Man from the Pru

Shown the floor
Michael Moorer

Home again
Yasser Arafat
Alexander Solzhenitsyn
Bryan Gould

Whatever day this is, it must not be Belgium
Didier Pineau-Valenciennes

Canal non plus
Andre Rousselet

Checking in
ITT Sheraton at Ciga
Forte at Meridien
Checking out
Giles Sheppard

Party animal
Michael Portillo


EARTHQUAKE Not yet the big one, but Southern California was rattled

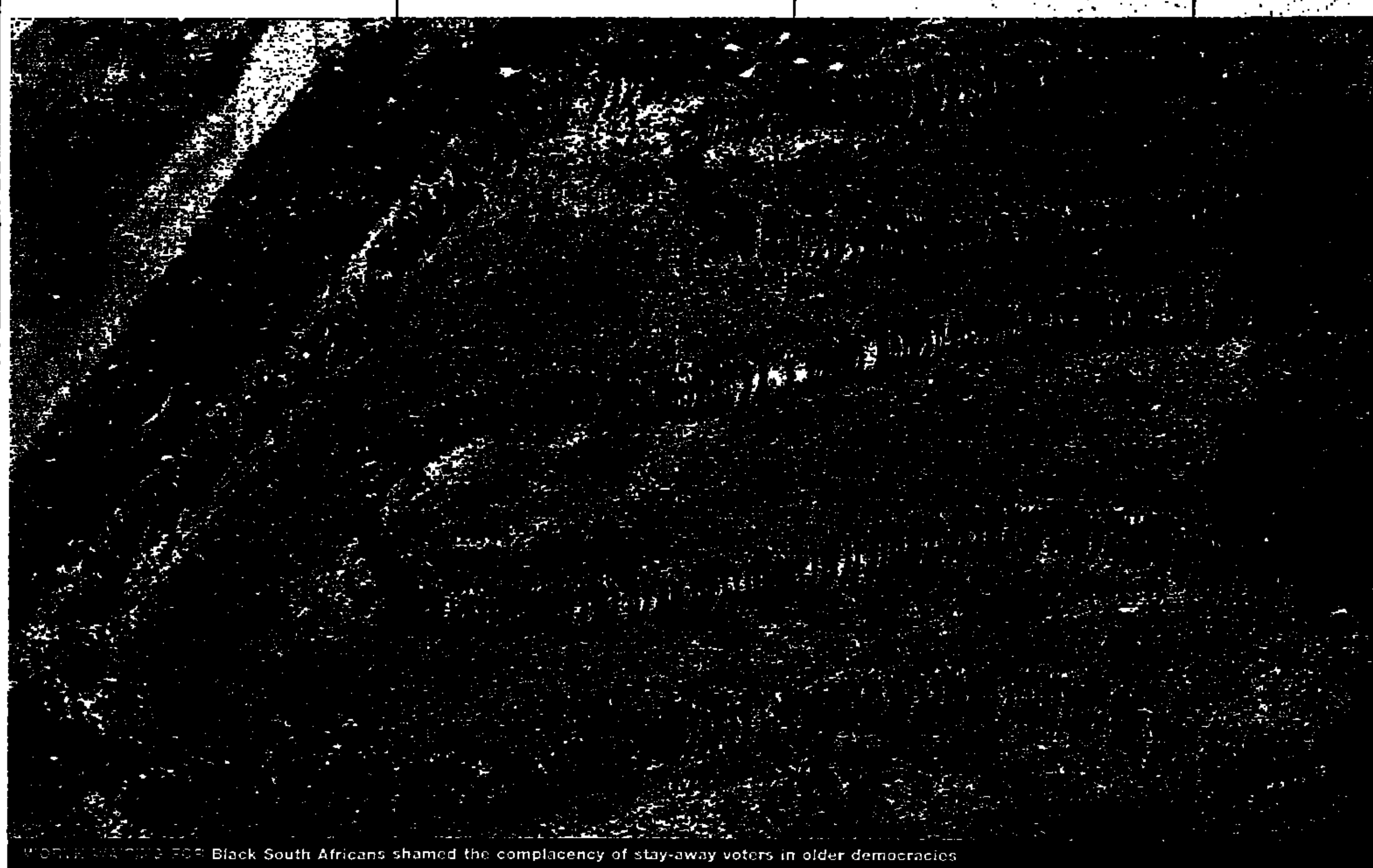
Tar heel in mouth
Jocelyn Elders

Thin skins
Body Shop International

She has a word for Clinton
Jocelyn Elders

All sales are final (more's the pity)
Robert Chop
Maxim
Ullair


BLACK SHEEP An inky vandal upstaged Damien Hirst


Black South Africans shamed the complacency of stay-away voters in older democracies

JANUARY

Greece takes over the EU presidency and snubs former Yugoslav republic Macedonia. Another long, bloody Balkan year begins as six are killed in Sarajevo. You just can't get good staff any more: Yegor Gaidar, Russia's prominent economic reformer, and Boris Fyodorov, finance minister, quit the cabinet. Bobby Ray Inman withdraws as Bill Clinton's nominee to replace defence secretary Les Aspin. (William Perry takes the job). MP Tim Yeo quits the government after divergence between his preaching and practice on family values. Peasants rebel in Mexico. Clinton and Yeltsin agree to dismantle Ukraine's nuclear arsenal. Duchess of Kent is the first British royal since 1700 to become a Catholic. BMW takes over Rover. Clinton is dogged by accusations about Whitewater. Los Angeles earthquake kills 42 as fires rage in Sydney. A hitman hired by the ex-husband of Tonya Harding, Olympic ice skater, batters the legs of her arch-rival Nancy Kerrigan. Links between UK arms sales and aid to Malaysia to build the Pergau dam are revealed. MAI bids for Anglia Television (soon after Lord Archer places orders for 50,000 shares, unbeknownst to the world, and he says, his wife, who sits on the Anglia board). Morihiro Hosokowa's reform plans fail to pass in the upper house of Japan's parliament. BSkyB can say "Gotcha" as it scoops Kelvin McKenzie from the Sun.

FEBRUARY

The Fed raises its US federal funds rate 1/4 of a percentage point. International bond and stock markets tumble. More than 50 Palestinians are massacred by an extremist Jewish settler in Hebron; peace talks break down. The Bank of England cuts UK base rates by 1/4 of a percentage point. Morihiro Hosokawa is forced to withdraw his Y18,000bn tax plan. Tony O'Reilly and Mirror Group Newspapers battle for ownership of the Independent. (The Mirror group wins in March). Kevin and Ian Maxwell block the production of Maxwell, the Musical. An American paraglider who lands half-naked on Buckingham Palace is fined £200. Italy's Northern League seals an alliance with Forza Italia, the party of media magnate Silvio Berlusconi. It's all in the family as Milan magistrates issue a warrant to arrest Silvio's brother, Paolo, for suspicion of corruption. Tory MP Stephen Milligan dies in unusual circumstances. George Soros loses $600m on Valentine's Day. The European Commission fines steel manufacturers £79m for operating a cartel. Viacom wins its bid to control Paramount. Euro Disney accepts a rescue package from its banks. A senior CIA agent and his wife are charged with spying for the KGB. Malaysia halts all deals with UK, complaining of a Sunday Times report on the Pergau dam affair. 500 are killed in ethnic fighting in Ghana.

MARCH

US fighters shoot down four Bosnian Serb aircraft. Yeltsin fires his domestic intelligence chief. Berlusconi's Freedom Alliance wins a landslide victory in Italy. Andrew Neil, editor of the Sunday Times, eats humble pie and sends a conciliatory letter to Kuala Lumpur. Luis Donaldo Colosio, presidential candidate for Mexico's ruling Institutional Revolutionary Party, is assassinated. Ernesto Zedillo takes his place in the elections. Eleven women are found buried under houses in Gloucester. British Nuclear Fuels wins 11-year battle to open the Thorp re-processing plant. Germany threatens to ban British beef for fear it is tainted with "mad cow" disease. IRA fires two mortar bombs at Heathrow Airport. Kishiro Nakamura, construction minister, is arrested in Japan's biggest corruption scandal since World War II. Nazi collaborator Paul Touvier is tried for crimes against humanity. Forty killed as South African army moves into Bophuthatswana. The US and Japan avert sanctions in an 11th hour cellular phone accord. North Korea withdraws promise to allow UN nuclear inspections and US deploys Patriot missiles to South Korea. Coca-Cola insists that Coke is "it" as Sainsbury's unveils a look-alike. The UK is pressed to accept a compromise on its voting veto in the EU. The Eurofighter makes its maiden flight. The Church of England ordains its first women priests.

APRIL

History is made in South Africa as the first multi-racial elections overcome threatened boycotts and mishaps with voting papers to end minority white rule. Morihiro Hosokowa jokes to comedians that he wants to stand down. Two days later he quits under a cloud of financial impropriety and Tsutomu Hata produces a conservative-dominated minority government. Fourteen die as Hamas bombs two Israeli buses. The presidents of Rwanda and Burundi are killed when their plane is shot down, sparking ethnic massacres in Rwanda. German property developer Jurgen Schneider takes the money and runs. UK chancellor Kenneth Clarke and Bank of England governor Eddie George begin publishing the minutes of their monthly meetings – six weeks after they take place. US Air Force jet accidentally shoots down two US Army helicopters over northern Iraq. Kidder Peabody fires chief government bond trader for allegedly fabricating $350m in trading profits. Former US president Richard Nixon dies. Belgium's Jean-Luc Dehaene is tipped to succeed Jacques Delors as European Commission president. Procter & Gamble claims rival Unilever's new detergent rots rather than cleans clothes. Enterprise Oil launches £1.45bn takeover bid for Lasmo. Lloyds Bank agrees to take over Cheltenham & Gloucester building society. After court rebuff, they find new plan.

MAY

The newly elected South African parliament chooses Nelson Mandela as the country's first black head of state. John Smith, leader of Britain's Labour party, dies of a heart attack, aged 55. Reports of up to 200,000 dead emerge from Rwanda as rebels capture Kigali. Israeli soldiers formally quit Jericho, and five days later, they leave Gaza. Dutch prime minister Ruud Lubbers declares his candidacy to replace Jacques Delors as European Commission president. Whitewater prosecutor Robert Fiske is subpoenaed for the files on Vincent Foster, White House counsel who died mysteriously. Yemen is riven by civil war. In a local election rout, the Liberal Democrats gain 388 seats while the Tories lose 429. Even traditionally true-blue Tunbridge Wells is disgusted. The Fed raises the discount rate. Eurotunnel launches a rights issue. Troubled German engineering company Metallgesellschaft announces restructuring. European Commission abandons its steel industry rescue plan (only to revive it a month later). Jacqueline Kennedy Onassis, the closest America came to having a queen, dies of cancer in New York. Camelot consortium wins the bid to run the UK National Lottery. Russia and Ukraine bicker over the possible secession of Crimea. A mysterious flesh-eating bug kills seven. Alexander Solzhenitsyn returns to Russia after 20 years of exile.

JUNE

The US is transfixed by OJ Simpson, a story which – like the former football hero – runs and runs. Police pursuit along California freeways is broadcast live. Charged with murder of ex-wife and her friend, Simpson becomes catalyst for media overkill on forensic science, racial attitudes, spouse abuse and... media overkill. John Major vetoes Jean-Luc Dehaene. Israel launches air raid on Lebanon, killing 45 pro-Iranian Hizbollah members. Allied veterans march on Omaha beach to commemorate the 50th anniversary of D-Day. Helicopter crash in Scotland kills 29, including senior special branch officers in Royal Ulster Constabulary. Hata loses a vote of confidence and Tomiichi Murayama, leader of leftwing Social Democratic party, becomes Japanese prime minister. Labour celebrates best Euro-election results. RMT signal workers begin series of UK rail strikes. Austria votes for EU membership. Economist Ernesto Samper becomes president of Colombia. George Michael loses his Freedom in a battle to nullify contract with Sony. Daily Telegraph cuts cover price to 30p, the Times cuts to 20p, and the Independent complains. Former US president Jimmy Carter mediates in North Korea. North and South Korea agree to hold their first meeting. Bernard Tapie is investigated for fraud and tax evasion. Argentine captain Diego Maradona is suspended from football for using drugs.

Britain's opera houses move into the future

Richard Fairman reviews a morale-boosting year of innovative productions, noisy audiences and new theatres

The nation may have lost its enthusiasm for moving house, but opera companies are on the move as never before. In a round of keeping up with the Joneses that puts Acacia Drive to shame, UK opera companies are all – with one exception – in the process of redeveloping, upgrading, or building new homes from scratch.

It has not gone unnoticed in political circles that the first new opera-house to open its front door to the public was the only one in the private sector. Glyndebourne did everything right. Having raised private sponsorship during the boom years, it built its new theatre when costs were low during the recession. Unveiled in May, 60 years to the day after the first performance in the old house, this handsome building combines good acoustics and international class, all at the very reasonable price tag of £33 million.

Nobody will have begrudged Glyndebourne its year of triumph, not even those who booed the new production of *Don Giovanni*. As well as the theatre, this year's festival inaugurated a new artistic partnership between Andrew Davis as music director and Graham Vick as director of productions, a team which has ambitions to lead this rural festival into new pastures, more challenging than the old.

Their own contribution to the season was Tchaikovsky's *Eugene Onegin*, stylishly designed, well sung and played. This was self-evidently an evening of quality, even to those (admittedly a minority) who found it cool and calculated, as I did. Deborah Warner's uncompromising production of *Don Giovanni* divided opinion more violently. The key question for Glyndebourne is how far its core audience will be prepared to support this shift in artistic direction. Seats used to be like gold dust, but not this year. What will happen in 1995, when the new productions are Rossini's *Ermione* and Janáček's *The Makropoulos Case*? Or in 1996 with Handel's rarely-heard oratorio *Theodora* (in the hands of *enfant terrible* Peter Sellars) and Berg's *Lulu*?

At Covent Garden any action on the rebuilding front remains on hold at the moment. Westminster City Council approved the revised plans for the £100 million redevelopment scheme submitted by the Royal Opera House in June, but that was probably little more than a formality. The phantom of the opera waiting in the wings for the general director, Jeremy Isaacs, is public opinion, which dislikes the idea of the poor man's National Lottery stake going to pay for the rich man's opera-house.

"The Rhinemaidens as fat, flubbery Michelin-girls" - a scene from Richard Jones' controversial production of 'The Ring' at Covent Garden Alastair Muir

For the time being, however, morale at the Royal Opera remains fairly high. Nothing brings a company's artistic strategy more clearly into focus than embarking on Wagner's *Ring*. After a couple of false starts in recent years – one staging abandoned, another borrowed – this latest production by Richard Jones looks set to run the course, guaranteeing front page news as it goes its wild way. Either one loves Wotan as a traffic cop and the Rhinemaidens as fat, flubbery, Michelin-girls, or one hates them.

To please its paymasters, the Royal Opera might think of making a gesture towards the UK's balance of payments. A clear trend has emerged this year for in-house productions – like Massenet's frothy *Chérubin* and the recently-televised *La traviata* – to be sturdy examples of British manufacturing, while those imported from overseas have been shoddy goods. Did nobody notice that the Old Testament dust had settled on Rossini's *Mosè in Egitto* before it left Bologna, or that the kiss of death had long since suffocated Toulouse's moribund production of Gounod's *Roméo et Juliette*?

The Royal Opera also hit the headlines when The Hecklers booed and jeered a revival of Birtwistle's *Gawain*. Ironically their protest backfired: thanks to the publicity the opera was a near sell-out, so "boo" to them instead. In musical terms it has been a good year, especially for the music director, Bernard Haitink, who was praised for his *Ring* and showed himself a tender Janáček conductor with *Katya Kabanova*. If the redevelopment becomes reality and the Royal Opera House closes in 1997, what will he do? Surely he will not be content to be conductor without portfolio?

One irony is that the arrival of the National Lottery could give us less arts, not more. If English National Opera succeeds in getting the £40m it requires for the refurbishment of the Coliseum, both London opera-houses could be closed for building work at the same time. Restoring Edwardian grandeur is the aim here: much of the splendour of Frank Matcham's Imperial Rome interior is under a layer of grime at the moment (how many have seen the mosaic floors proclaiming "Salve" inside the entrance?).

The company spirit at ENO will have been buoyed by a rise in attendances to around 78 per cent (up from 60 per cent) since the summer. Having inherited a stock of productions that the Arts Council declared redundant, the new regime has set about renewing the standard repertory at top speed. Sometimes the haste was obvious. Productions such as *Così fan tutte* and *Eugene Onegin* sought to offer novelty at the lowest possible dent to the balance sheet and may be replaced themselves in a year or two's time. The disastrous *Jenufa* will probably not last even that long. Perhaps the disposable opera production has finally arrived.

Dennis Marks, the general director, will be aware that his successes have been the most professional presentations, like Massenet's long-unseen *Don Quichotte* and Strauss's *Der Rosenkavalier* with old ENO troupers Anne Evans and John Tomlinson lured back from Bayreuth. Musorgsky's five-hour *Khovanshchina* offered an epic lesson in Russian history to which the party faithful turned up in large numbers. Even Judith Weir's slip of a new opera, *Blond Eckbert*, was reasonably well attended, although Marks looked enviously at the full houses for Birtwistle up the road. If only The Hecklers could have visited ENO too, he opined ruefully.

Scottish Opera is lucky enough to have unveiled its new theatre already. Although the company's base remains in Glasgow, it now has the refurbished 1920s Empire Theatre for its visits to Edinburgh. A highly-praised gala performance of Wagner's *Tristan und Isolde* in June marked the transformation of this ex-bingo hall into an opera-house of some style, blessed with excellent sight-lines and lively acoustics – all for a mere £21m out of the corporate sporran. The canny Scots spend their money wisely.

In artistic terms, more regrettably, there was no profligacy either. The company enjoyed modest successes, such as a pleasing *L'elisir d'amore* and an effective *Peter Grimes*, but Tim Albery's staging of *Fidelio* was the only one to exhibit real flair and ambition. Perhaps surviving at all in the present economic climate is as much as one has a right to expect.

Smaller companies did not enjoy a good year. Opera Factory made a heartrending appeal from the stage for donations, but after their cliché-ridden production of Stravinsky's *The Rake's Progress* and the premiere of Nigel Osborne's uncommunicative *Sarajevo*, sympathisers will have put their wallets straight back in their pockets. Almeida Opera's two premieres – Elena Firsova's *The Nightingale and the Rose* and Jonathan Dove's *Siren Song* – were short and sweet. English Touring Opera kept ticking over with *La Bohème* and Gluck's *Orfeo*. The exception (again!) was Glyndebourne Touring Opera, which scored a monster of a hit with Birtwistle's King Kong opera, *The Second Mrs Kong*.

Round the rest of the country opera managers were deserting ship. Ian Ritchie had barely been with Opera North for a year before he was packing his bags, apparently oblivious that he was running the only opera company *not* moving to a new theatre. From its base in Leeds, Opera North continues to seek out the operas that nobody else dares to play. This season included a creditable attempt to resurrect Chabrier's seductive *Le Roi malgré lui*, a newly-discovered version of Puccini's *La rondine* and Verdi's first opera, *Oberto*, produced by John Tomlinson, laying aside his Wagnerian spear. In addition, the company scored a popular goal with Benedict Mason's footballing opera, *Playing Away*, when it arrived back at its home ground after the premiere at the Munich Biennale. Opera North remains at the top of the "Adventurousness" league.

Matthew Epstein lasted longer at the head of Welsh National Opera – three years out of his contracted five. Blaming cuts in subsidy, he left no doubt as to the reason for his departure, adding ominously as he went that he hoped "WNO will be strong enough to move into [its new theatre]". The plan in Wales is for a wholly new theatre in the Cardiff Bay development area, financed with a grant from the Millennium Fund. At a cost of around £43m the company hopes to have a striking "glass necklace" building that will become a local landmark, like the opera house in Sydney. With a bit of luck it might be suitable for opera, too.

Epstein's talent-spotting eye was doubtless responsible for finding some of WNO's promising young singers during the year, but there have also been interesting productions, like the provocative *Turandot* and a heavenly staging of Berlioz's *Béatrice et Bénédict*, produced by Elijah Moshinsky. I have left this until last, because it was the most outstanding opera performance in Britain this year, near to perfection in every way. An evening like that leaves one full of optimism for a future which sees our opera companies installed in fantastic, state-of-the-art theatres. If any of them fails to get the money, they could always try buying a ticket for the National Lottery.

London's concertgoers spoiled for choice

Times may be tough and tastes changing, but the city's music remains healthy, says **David Murray**

The London concert scene was neither noticeably richer or poorer this year than before; which is to say, it has still been pretty rich. Shrunken state support has not diminished the variety of the "big five" orchestras' programmes (I count the BBC Symphony among them, as one must). For every plain, undisguised money-spinner on this year's menu, you could find two or three in the South Bank brochures for, say, 1965 or 1970.

Which is only to remark: the notion of a "money-spinning" concert is elusive. A quarter-century back, Beethoven's Third, Fifth and Ninth Symphonies, Tchaikovsky's Fifth and Sixth and two Rakhmaninov piano concerti were supposed to be surefire draws, almost as safe as the "1812" Overture with fireworks laid on. None of them now guarantees even a full-ish house, not without a renowned conductor. The ageing audience for the traditional middle-brow favourites has become unreliable – or, perhaps, just experienced enough to turn choosy.

The only sure successes are (a) operas in concert form with famous singers, (b) some performances of not-too-unfamiliar works – a much broader category than it used to be – by very big-name conductors, and (c) just once in a while, some especially ambitious piece (massive, or inordinately long or fabulously complicated) by a currently trendy composer. Any of those latter is difficult to plan with confidence.

Yet the average numbers for concert evenings remain healthy enough: down a bit while the perceived recession continues, but not more so than the paying audiences for other arts. Despite the fearful internecine competition between them none of the major London orchestras has collapsed yet, nor abandoned the capital for hand-to-mouth life in the provinces (though they complain that every London concert costs them money). These days, opera commands many more column-inches in the press than non-operatic music; but audiences for the latter, night by night, are *in toto* larger by far.

We are admittedly short of great conductors. (So is everybody.) The departures of Giuseppe Sinopoli from the Philharmonia and Franz Welser-Möst from the London Philharmonic have not incurred widespread grief, though they both had their moments. The great Klaus Tennstedt, whose LPO concerts these past years have been regularly announced, sold out and then relegated to a substitute or cancelled, has finally thrown in the towel. The loss to the London Symphony of Michael Tilson Thomas – at the gain of Colin Davis – we can bear without pain; the Tilson Thomas career needed a move to America at this stage, and will no doubt benefit by it. The Royal Philharmonic continues to rotate any number of conductors, but can still rise beautifully to an occasion.

Are so many orchestras a crazy London luxury? Well: not as long as they survive. For one thing, the notoriously scant rehearsal-time that they often get might not be improved in the least if they were fewer. Nor could we expect them, if they took to the Continental and American routine of repeating every concert several times in a week, to risk as many bold programmes as they do.

The fashion for mini-"festivals" has somewhat declined. This year the main ones have been Rostropovich's Schnittke conspectus at the Barbican, the South Bank's celebration of Luciano Berio, and Tilson Thomas's continuing Mahler cycle with the LPO; but nothing so unexpected and enlightening as the Barbican's recent "Tender is the North" conspectus of Scandinavian music, let alone the exhaustive South Bank forays into Stravinsky, Webern and Roberto Gerhard longer ago.

Though that is perhaps no more than happenchance, it may reflect their promoters' concern that there is no longer a "special" audience for anything *too* special. Nobody can count upon younger ears eagerly zeroing into music they want to know more about, because they come from too many different places. There is no regular place appointed to classical music in British schools now, unlike those of virtually every European country. To be prompted toward knowing more of it you have to be lucky in your local education, or divine extra possibilities in pop and rock and popular minimalism, or be moved by fashionable meditators like Arvo Pärt and John Tavener.

It is left to the Wigmore Hall to sustain crusty, dependable old music-lovers. Chamber *music, and piano and song* recitals, sound better there than almost anywhere (except when the artists' ears have been spoiled by playing too much in grander venues). The Queen Elizabeth Hall, much improved by narrowing the available space for a more intimate audience, remains nevertheless too large for immediate communication – though Richard Goode's inspired, ongoing Beethoven piano-cycle goes a long way toward refuting that charge. The Wigmore remains *the* place to hear *Dichterliebe*, *Winterreise* or *Die schöne Müllerin* , the Beethoven quartets or Bartók's or the Schubert trios; and its best artists are invariably sold out.

We have little room for complaint. Besides the many Wigmore series (which do need advance booking) and the *mini-festivals in the larger* halls, there have been plenty of rewarding one-offs this year – Maxwell Davies's lithe new Fifth Symphony, and Boulez's *knife-edge* readings of Stravinsky's *Symphony of Psalms* and his own *Cummings ist der Dichter* at the Proms; Louis Andriessen's *De Materie* in the South Bank "Meltdown" festival (not otherwise distinguished), and Berio's opera *La vera storia* and the complete sequence of his *Sequenze*; Chailly's Mahler Seventh with the Concertgebouw, and also some electrifying moments in Tilson Thomas's Mahler series so far.

On the smaller Wigmore scale, I remember with acute pleasure concerts by the steadily maturing Carmina Quartet, the Ysaÿe and the sumptuous Vogler. In *Lieder*, Nathan Berg's beautiful sound – and intelligence, and flair, and the even younger Matthias Görne's precocious art; and at the Barbican, the unequalled Borodin Quartet in Shostakovich, and peerless young *Maxim Vengerov's virtuoso fid*dle. Times may be tougher than anybody likes to acknowledge, but we are still spoiled for choice.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● *European Baroque Orchestra:* Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8

● Royal Concertgebouw Orchestra: with violinist Sarah Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5, 8

BERLIN

CONCERTS

Philharmonie Tel: (030) 2548 8132

● Berlin Philharmonic Orchestra: with conductor Claudio Abbado and soloists Sylvia McNair, Ulla Gustafsson plays Schumann at 8 pm; Dec 30, 31 (5.15 pm)

OPERA/BALLET

Deutsche Oper Tel: (030) 3 41 9249

● Der Rosenkavalier: by Strauss. Conductor Jiří Kout, production by Göz Friedrich at 6 pm; Dec 31 (5.30 pm) ; Jan 8,

● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10

Staatsoper Unter den Linden Tel: (030) 2 00 4762

● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 1, 4, 7

LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● LSO New Year Viennese Concerts: conducted by John Georgiadis, the music of Strauss in a celebration of the New Year at 7.30 pm; Dec 31; Jan 1,2

● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7

Festival Hall Tel: (071) 928 8800

● Johann Strauss Gala: the Johann Strauss Orchestra with director John Bradbury, soprano Marilyn Hill-Smith and the Johan Strauss Dancers plays a programme of music by Strauss. First performance at 3.15 pm, then at 7.30 pm; Jan 1

GALLERIES

Hayward Tel: (071) 261 0127

● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes a section on German Expressionists; to Jan 8

Tate Tel: (071) 887 8000

● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8

OPERA/BALLET

Festival Hall Tel: (071) 928 8800

● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; to Jan 2 (Not Sun)

Royal Opera House Tel: (071) 340 4000

● *Cinderella:* music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 30, 31; Jan 3

● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5

● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Jan 4 (2 pm)

THEATRE

National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 30, 31 (2.15 pm) ; Jan 2, 9, 10 (2.15 pm)

Queen Elizabeth Hall Tel: (071) 928 8800

● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; to Jan 3 (Not Sun)

NEW YORK

GALLERIES

Brooklyn Museum Tel: (718) 638 5000

● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)

Metropolitan

● Ann Hamilton: *exhibition reveals* the artist's interest in the relationship between sight and touch; to Jan 3

● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)

● William de Kooning's Paintings; to Jan 8 (Not Mon)

Museum of Modern Art Tel: (212) 708 9480

● Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 7.30 pm; Dec 31; Jan 5, 7

● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 2, 6, 9

● Madama Butterfly: by Puccini at 8 pm; Dec 30; Jan 4, 7, 10

● Peter Grimes: by Britten. English at 8 pm; Dec 31; Jan 3

New York State Theater Tel: (212) 870 5570

● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; to Dec 31 (Not Mon)

THEATRE

Manhattan Theatre Club Tel: (212) 581 1212

● Love! Valour! Compassion!: latest play by Terence McNally (of Kiss of the Spiderwoman fame), directed by Joe Mantello. Sun. performance at 7pm otherwise at 8 pm; to Jan 1 (Not Mon)

Richard Rodgers Theatre Tel: (212) 307 4100

● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

PARIS

GALLERIES

Grand Palais Tel: (1) 44 13 17 17

● Gustave Caillebotte: retrospective of the painter who belonged to the circle of impressionists; to Jan 9

● Poussin: 400th anniversary retrospective; to Jan 2

Musée d'Orsay Tel: (1) 45 49 11 11

● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40

● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arrigas at 8.30 pm; to Jan 7

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● Nutcracker: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersberg at 8.30 pm; Dec 30, 31

Opéra Comique Tel: (42 96 12 20

● Magic Flute: by Mozart. Conducted by Claire Gibault, produced by Louis Erlo at 7.30 pm; Dec 30, 31

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Swan Lake: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; to Dec 31 (Not Sun)

WASHINGTON

CONCERTS

Kennedy Centre Tel: (202) 467 4600

● New Year's Eve at the Kennedy Center: Members of the National Symphony Orchestra perform popular tunes and waltzes at 9 pm; Dec 31

GALLERIES

National Gallery Tel: (202) 737 4215

● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm) , 9 (7 pm)

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Dec 31; Jan 2, 8 (2 pm)

THEATRE

Arena Stage Kreeger Theater Tel: (202) 554 9066

● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8

Olney Tel: (703) 924 3400

● Cinderella: Rogers and Hammerstein musical version of the classic fairytale, directed by Mark Waldrop at 7.30 pm; to Dec 31

Shakespeare Tel: (202) 393 2700

● School for Scandal: by Sheridan. Directed by Joe Dowling at 8 pm; to Jan 7

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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(Central European Time)

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

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WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
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SUNDAY
NBC/Super Channel: FT Reports 2230
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MANAGEMENT

Healthy resolutions

Carol Cooper on tangible benefits of giving up what one enjoys


HEALTH CHECK

Ask a doctor to suggest New Year's resolutions and the answer is depressingly predictable. Giving up what one enjoys and taking up what one does not is hard until there are tangible benefits. So just how soon can one expect returns from giving up smoking, taking up exercise and eating more healthily?

In the case of smoking, it depends on the end-point you choose. At post-mortem, no ex-smoker's lungs ever match the healthy pink hue of the life-long non-smoker's. But lung function usually improves within weeks or months of stopping, while shortness of breath and coughs gradually recede.

The risk of lung cancer falls gradually once the habit is ditched. However, new research from Hope Hospital, Salford, shows that the risk of lung cancer in ex-smokers, even if they gave up years ago, remains higher than in those who never smoked.

On the other hand, some benefits are seen quickly. Personal freshness improves almost immediately, while giving up smoking in early pregnancy reduces the risk of miscarriage, growth retardation and stillbirth.

Taking up exercise is demoralising if stiff muscles result, but there are many later benefits in cardiovascular fitness, mobility, muscle strength and even mood. Exercise may also help prevent cancer of the prostate, breast, or bowel, though data are inconclusive.

Exercise has a well-documented effect on blood cholesterol, increasing the good fraction known as HDL (high-density lipoprotein) and therefore reducing the risk of coronary heart disease.

How much exercise? The usual advice is to take 20 minutes of brisk exercise three times a week, checking first with your doctor if unused to activity or worried about fitness.

Recommendations from the American College of Sports Medicine and others suggest that less vigorous exercise five times a week is enough. A brisk daily walk of 2km may do the trick.

Exercise usually takes weeks of commitment to make a difference, but improvements continue for months or years. Studies even show that, in some people, coronary artery changes are reversed after a year's regular exercise (but see your doctor first).

November saw the publication of the Coma (Committee on Medical Aspects of Food Policy) report on cardiovascular disease. Its recommendations for healthy eating include eating more fibre and starchy carbohydrate – as a nation we still take too much fat and sugar. It also recommends eating oily fish twice a week, replacing the breakfast fry-up with cereal and/or toast, and eating more fruit and vegetables.

Fortunately, no single food is wholly good or bad. Variety and moderation are important.

Although they did not feature in the Coma report, anti-oxidants are worth knowing about. They include vitamins C and E, folic acid and beta-carotene (the precursor of vitamin A), and combat free radicals, which probably cause cell mutations, and the changes of ageing. Collectively, anti-oxidants are found in green leafy vegetables, carrots, whole grains and fruits, and there is some evidence that a diet rich in anti-oxidants does help prevent cancer and heart disease.

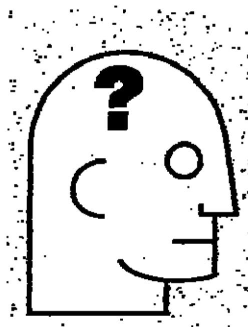
How quickly does a healthy diet work? In most people, changes in fat intake result in measurable effects from three weeks. The consequences of taking more anti-oxidants are less clear. Crash diets should not be part of the plan. Rapid weight loss does not usually stay off, and those whose weight fluctuates seem to be at greater risk of heart disease than those with stable weights.

A final recommendation for 1995 is based on evidence that people who enjoy life are healthier and may even have better immunity to infection. So above all have a Happy New Year.

The author is a London general practitioner.

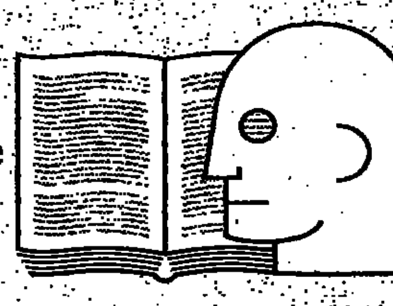
The FT canvassed businessmen, consultants and academics for their thoughts on two questions

Big ideas and big books



If senior managers were looking for one "big" idea to help them run better businesses in 1995, what would you advise?

What was the best business book or article you read in 1994?



Percy Barnevik, president and CEO of ABB Asea Brown Boveri.

Big idea: Managers need to break their organisations out of the narrow confines of national borders if they want to tap the opportunities for freer global and regional trade opened in 1994 – such as the Gatt agreement, Nafta, an expanded European Union and progress in the Asia-Pacific region. This requires not only global management but also regional management with full decision-making responsibility for total operations and product supply in, for example, eastern and western Europe combined.

Reading: *The Endangered American Dream* by Edward N Luttwak (published by Simon & Schuster).

Luttwak has a lot of insight and is provocative. Having seen the end of the European "welfare state", the collapse of communism and the slowing of the Japanese economic engine, you wonder after reading this book where the world's one remaining superpower really is heading long term. While you may not agree with all of his descriptions and recipes for change – reforms to public education, taxation and industrial policy, and unprecedented trade liberalisation – he gives you reason to think. The author's humour and hands-on style also make it easy to read.

David Simon, group chief executive and deputy chairman, British Petroleum.

Big idea: Listen. Advice in short, punchy statements rarely seems to stick; maybe people need their advice wrapped in academic paper. But a friend sent me a simple card once: "Listen first, think next and act after." To that I would add – look around you at other businesses as you listen to people in yours. A continuous benchmark process, maybe?

Reading: *Changing the Role of Top Management: Beyond Strategy to Purpose* by Christopher A Bartlett and Sumantra Ghoshal (Harvard Business Review, November-December 1994).

Why? Because it reinforced many conversations with friends in BP about our own path to performance. If vision seems like a little luxury – try purpose. Once you have it, how to make it happen? Try process. Who? You and yours – try people.

Professor Gary Hamel, professor of strategic and international management, London Business School.

Big idea: 1995 should be the year of the "numerator". In the quest for higher productivity, companies must focus relatively more on growing revenue (the numerator in most financial ratios) and less on cutting headcount and investment (the denominators). Today employees are often told, if you don't get more efficient you'll lose your job. Yet workers know that if they become more efficient, they'll still lose their jobs unless there is top-line growth. Sitting atop the highest unemployment rates in the developed world, growth must become the overwhelming obsession of Europe's senior executives. And don't whine about short-term investors or a lack of risk capital. Swatch, Nokia, Virgin Atlantic and International Service Systems have all proven that it is imagination, far more than capital, that powers growth.

Reading: Great companies fail when there is no way of mounting a successful assault on the out-of-date beliefs, assumptions and prejudices of top management. Perversely, the responsibility for crafting strategy typically rests with the corporate "politburo", whose intellectual equity is invested more in the past than in the future. If it is to be of any use, strategy-making must be a subversive activity. Hence my enthusiasm for *The First Dissident* by William Safire (Random House), a contemporary study on the Book of Job. If Job could challenge God's fairness, and live to tell the tale, how much more hope for those seeking to challenge the far less awesome interests that defend corporate orthodoxy.

Rosabeth Moss Kanter, professor of business administration, Harvard Business School.

Big idea: The best "big" idea is to look for lots of small ideas, some of which will prove to be the breakthrough new idea that helps the business leap in new directions. Put innovation back into the centre of the business; in too many companies it has been displaced by internally-focused and rigidly controlled quality and re-engineering programmes. Stimulate creativity at all levels. Hold regular brainstorming sessions about new ways to do things. Let a thousand small flowers of experimentation bloom.

Reading: A toss-up between *Truman* by David McCullough and *No Ordinary Time* by Doris Kearns Goodwin about Franklin and Eleanor Roosevelt.

These penetrating works of political biography show national leaders successfully mastering mega-challenges of historical proportions. You see them make tough decisions, invent imaginative new policies and programmes, build support for operating in the public spotlight and lacking the singular authority that most business CEOs have. The change problems in business suddenly seem more manageable.

Joseph M Juran, a pioneer of total quality management and founder of the Juran Institute.

Big idea: Set out to become the quality leader in your industry. Recall that Japan, a country once notorious for its shoddy goods, became an economic superpower, chiefly because it attained world quality leadership.

Reading: No answer.

Clive Williams, head of management consulting, Ernst & Young (UK).

Big idea: Organisations are learning to live in a state of constant transition. In these conditions traditional concepts of the managerial role have ceased to exist. Instead of clinging to outdated practices managers should concentrate on developing new business styles and shifting the organisation's centre of gravity from a fixed line-based structure towards a flexible, prospect-based organisation. In 1995 the challenge is to become a genuine enabler of people and to focus on four imperatives – speed, adaptability, responsiveness and innovation.

Reading: *The Scottish Himalayan Expedition* by WH Murray (excerpt from a training manual).

Why? Because it ties in with the challenge in the fusion concept just described. But most of all because I like it.

Hugh Dickinson, managing partner, Booz Allen & Hamilton International (UK).

Big idea: The one "big" idea must be the rebirth of leadership – more specifically, in establishing the vision for the business, in focusing the organisation on the one or two central ideas that will shape vision into reality, and in being ready to take the tough people and resource deployment decisions that go with the territory. And leadership in recognising, resolving and accepting the give-ups and trade-offs that will inevitably be required.

Reading: *Competing for the Future* by Gary Hamel and CK Pralahad – in particular, its last 20-page chapter, "Thinking differently about the organisation".

Why so? Because of the book's eloquence in capturing the need to raise growth once more to the top of the corporate agenda. And, in its final pages, in its articulation of the significance of the complex interplays and feedback loops between corporate strategy, business vitality and organisational choice.

Mohamed Al Fayed, chairman, Harrods.

Big idea: Invest in success. If you are fortunate to have a brand that is already admired and enjoyed, support it to the hilt and watch it take your company forward. In the 10 years since acquiring Harrods, we have invested £200m in refurbishment, in opening new departments and in improving our standards of service. Even great national institutions need generous capital investments if they are to be worthy of their customers' support into the next century. As a "big" idea this may not be new but as an Egyptian sage I once knew put it: "New is easy, good is hard."

Reading: Harrods sells huge numbers or business books but I must confess I don't read them. By the time a man can afford £24.95 for a hardback by a former big name, usually looking back, he should be sufficiently sure of himself in business not to need that sort of advice. It is better to buy that classic work of fiction you always meant to read but never got around to or a couple of CDs by a composer you don't know. Let your overworked brain do the thing you never allow it to do: to idle. You will be surprised by how many good ideas you come up with when you are not thinking.

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Regulating derivatives

Even by the standards of today's unstable markets, 1994 will go down as a year of unusual financial turbulence. Such has been the political fall-out in the US that a powerful regulatory response is inescapable, carrying with it the risk of over-reaction. Nowhere is this more true than with derivative financial instruments such as swaps, forwards and options, which have prompted feverish anxiety on Capitol Hill.

A sense of perspective is badly needed. At the risk of stating the obvious, derivative instruments have not, despite the fiendish qualities attributed to them, seriously threatened the stability of any banking system in the developed world this year. The biggest loss incurred in the markets – \$2bn by Orange County in California – stemmed less from dealing in derivatives than from the use of sale and repurchase agreements in the bond markets. This was one of several examples of leveraged dealing where fund managers borrowed to increase returns, only to find that leverage can magnify losses as well as profits.

With Procter & Gamble and other end-users of derivatives, losses have highlighted potential conflicts of interest in the role of the banks. But it is not the task of central bank regulators to protect large industrial companies from their bankers or to monitor corporate governance arrangements. So what should their priorities be?

The precise extent of the systemic threat is hotly debated. What is beyond dispute is that while derivatives have great potential to increase capital market efficiency, the gap between individual firms' knowledge of their trading and risk management practices, and the information available to outsiders, has sharply increased. Risks on and off the balance sheet can change hourly in a business that is increasingly conducted in over-the-counter (OTC) markets rather than organised exchanges.

Lack of transparency

The resulting lack of transparency is such that risk may be mispriced, while uncertainty over a bank's exposures could lead to a run on deposits. The threat of contagion within the financial system is highly concentrated: in the derivative markets in the US 10 banks account for more than 90 per cent of credit exposures. Most important, banking supervision simply cannot keep abreast of the quick-fire changes in the risks that commercial banks now run in the normal course of business.

This is a powerful argument for moving to a two-tier banking system in which the safety net of deposit insurance is denied to the commercial banks' derivatives trading activity. It also highlights the importance of a rapid move towards real-time gross settlement to reduce the risk that the failure of a counterparty will disturb the whole payments system.

Market fluctuations

The Bank for International Settlements (BIS) is amending its capital regime, currently directed exclusively at credit risk, to cope with the impact of market fluctuations. Yet capital is probably a less effective defence against trouble than a sound approach to risk management. On this score a recent BIS discussion paper has urged public disclosure of banks' internal risk management systems, a proposal promptly taken up by J.P.Morgan.

A more radical suggestion, made by David Folkerts-Landau and Alfred Steinherr in a recent American Express Bank prize essay, is that the regulators should seek to divert business away from OTC markets into a formal exchange or clearing house structure. This would have the advantage of greater transparency and liquidity, together with the discipline of collateral requirements that are tougher than a conventional capital adequacy regime.

Critics of this approach argue that it ignores the efficiency of private-sector decisions in this area and that a majority of business is done in OTC markets for good reason: customised contracts provide flexibility. The big banks also fear the loss of the competitive advantage that they derive from high credit ratings. Yet the Amex authors claim that a majority of OTC contracts are little different from standardised exchange traded products. Moreover, the current capital adequacy regime contains a bias in favour of OTC dealing. The private sector also faces high costs in setting up a clearing house, where the returns on the investment are partly social and public.

In the present fiscal climate few governments will look favourably on subsidies for clearing arrangements. Yet they have good reason to look at the case for a more level playing field between OTC and exchange-traded derivatives, not least because financial stability is an important public good. That is why increasing the transparency of the derivatives markets should be a high priority in any reform of the regulatory framework.

Corruption has no frontiers

For anyone who still believed that corruption was primarily a problem of the developing world, and not the developed, the exposés of the past year should have provided a belated awakening. Scandals ranging from petty "sleaze" to substantial bribery have broken out across the globe, from Japan in the east, through Britain, France, Italy and the former communist states in Europe, to the US, Brazil and Mexico in the west. It is clear that bribery and corruption know no frontiers.

The rash of cases raises three questions: is the problem getting worse, in spite of the trend towards market economics, open trade, and deregulation? Is it a problem that needs to be controlled with new rules, or will such measures merely create new opportunities for corruption? And if more controls are needed, what effective steps can be taken?

It is tempting to be cynical about the issue. Corruption has always existed, wherever power exists. On occasion it may arguably be beneficial: where a modest bribe can circumvent excessive and onerous regulations, it may oil the wheels of economic activity. Or a bribe may simply redistribute the profit of a transaction from a government to individuals: then the state is the only loser.

Where governments are excessive regulators, where they have imposed penal tariffs on trade, or where they have fixed unrealistic exchange rates, they deserve to be punished by such subversion. The real solution is to reduce the bureaucracy and scrap the bad rules, not to encourage corruption by writing more.

Economic distortions

The danger of the spread of bribes is that in the first place, they distort rational economic decision making; and secondly, that they undermine the legitimacy of the administration, indeed of the entire political system which allows them to take place. Economic distortions may be difficult to identify. But loss of political legitimacy has been evident in industrial countries suffering from recent scandals.

The scale of the problem does not seem to have grown. Rather, the trend towards deregulation, privatisation and more open government has exposed its existence. That would seem to be the case in Italy, France and Japan. Moreover, the end of the cold war has left electorates that were once prepared to tolerate corrupt practices in the interests of stability less inclined to do so.

Political favours

The common cause behind many of the recent cases has been the need for ever-increasing campaign funds for political parties, rather than individual venality. The soaring costs of campaigning for political office in a televised democracy have put ever greater financial pressures on the participants. In the US, as in Japan, the purchase of political favours with campaign contributions has long been almost an accepted part of the system.

What is to be done? Clearly it is essential that political contributions should be subject to maximum transparency. There is a case for strict limits to be set on election spending. Cost-free party political broadcasts, on the British model, rather than the commercial sale of television advertising spots, could be another way of controlling expenses.

Another lesson is that both bureaucrats, and politicians, must earn incomes in keeping with the responsibility of their jobs. If either are clearly underpaid, it will provide a temptation to corruption, which would rapidly outweigh the savings on their salaries. Above all, simple and transparent regulations are the best defence against corruption. The less unnecessary red tape a government imposes on business, and the more open and enforceable the rules are, the less incentive or opportunity its employees will have to extract private profit from their position.

Now for the hard part

Tony Blair, UK opposition leader, has done well, but has not yet proved Labour is ready to govern, says **Philip Stephens**

Mr Tony Blair has cause for satisfaction and for consternation. Labour has an unprecedented lead in opinion polls. His own ratings are higher than any achieved by the leader of the opposition in recent memory.

But his party is unprepared: expert in the skills of opposition, so far it has offered only a shallow programme for government. Mr Blair's firmest policy commitment – to radical constitutional reform – is fraught with political dangers.

Let's start, though, with the satisfaction. It would be churlish to deny Mr Blair his plaudits. He has led Labour for less than six months. In that short time he has transformed the mood. He has begun to reposition the party in the public's consciousness as value-based rather than class-based. He has shown an appreciation of strategy as well as tactics. He is a politician who means what he says.

His admirers are not confined to friends among the Islington intelligentsia. Every opinion poll since his election in July has underlined the appeal of this 41-year-old former public schoolboy to the aspirant working classes who deserted Labour for Mrs Margaret Thatcher in the 1980s. And the middle classes of southern England now have a leader of the opposition whom they can call One of Us. The electoral "fear factor" which has haunted Labour since 1979 is dissipating.

Mr Blair has performed well in the theatre of politics. During his twice-weekly duels with Mr John Major in the House of Commons, he has added a touch of gravitas to the boyish good looks. He has missed one or two opportunities, but has not made any serious mistakes. He has portrayed the Conservatives as terminally divided and out of touch. In so far as the government has needed assistance in persuading voters of the veracity of the charge, Mr Blair has provided it.

It is not simply style and image, although Mr Blair is as conscious as any politician of his public relations. He has pointed Labour in a different direction. His embrace of the "dynamic market economy" was unremarkable to those long acquainted with the realities of global competition. But within his own party it marked a decisive step forward, even from the "modernist" policies presented at the 1992 general election.

When Mr Kenneth Clarke, the chancellor, raised interest rates in September, Mr Blair eschewed the reflex, undiluted condemnation. Instead, he offered a more subtle message. Mr Clarke was right in his own terms to pre-empt an upsurge in inflation. But what an indictment of Tory policies, said Mr Blair, that the economy risked overheating with 2.5m people unemployed.

Mr Blair's attitude towards the welfare state has revealed a similar shift. He did not endorse without qualification the report of the independent Social Justice Commission, established by his predecessor, the late Mr John Smith. But he embraced its central themes: that universal provision of benefits cannot be open-ended, that getting people back into work takes priority over handing out more in benefits.

There have been other changes. Labour's policy towards Northern Ireland has caught up with the principle of majority consent for any political settlement. Even before the row over his choice of a grant-maintained school for his own son, Mr Blair had begun to detach Labour from the politically correct agenda of the teaching unions.

But the political drama came with Mr Blair's announcement at Labour's autumn conference that the party must drop its most sacred shibboleth: Clause IV of its constitution, enshrining a commitment to common ownership of the means of production and distribution.

Ashley Ashwood
Tony Blair: his firmest policy commitment – to radical constitutional reform – is fraught with political dangers

The pledge has been irrelevant almost from the day it was penned by Sidney Webb in 1917. No Labour leader has ever suggested the state should run Britain's corner shops. But Clause IV has been the standard behind which the party's ideologues have marched for generations. Its replacement by a new statement of values should provide a potent symbol that Labour is serious about change.

Blair's message is that Labour must rediscover its ambitions, not fight about the means of delivering them

Mr Blair is convinced he will win the argument, in spite of campaigns by some grassroots activists to preserve Clause IV. The final decision will be taken by a special conference in April. One or two of the big trade unions, notably the TGWU general union, will cling to the past. So too will the cadres of constituency party purists. But most individual members and a majority of the unions will back the leader.

The glue holding together the strands in Mr Blair's strategy is a return to first principles. His message is Labour must rediscover its ambitions, not fight about the means of delivering them. Fairness is more important than ownership, equality of opportunity more relevant than redistribution of wealth. Values should replace totems.

To the derision of the traditionalist left, Mr Blair calls this New Labour. In fact what he is offering is Old Labour – a spruced-up version of the aspirational politics that guided the party in the immediate postwar period. The voters backed Labour then because it offered a ladder of opportunity. The ideological introspection of the party's activists took hold later.

But now for the consternation.

Acknowledging that Mr Blair has done well is not the same as describing Labour as a government-in-waiting. Even after 15 years in the wilderness, the forces of inertia run deep. So does the reflex suspicion of party activists that the leadership is set on betrayal. At Westminster – in the shadow cabinet as well as on the backbenches – there are many who want Mr Blair simply to wait for the Conservatives to deliver him victory.

But there is no absolute guarantee that the Tories will not rediscover their senses, that the economic upturn will not translate into a political recovery. In any event, winning an election is not the same as being ready to govern. Mr Blair seems to understand that. So, in his own way, does Mr John Prescott, the traditionalist deputy leader of the Labour party, whose support so far for the process of modernisation has been vital. Many of their colleagues do not.

The quality of the shadow cabinet is uneven. There is a handful of thinkers. They are counterbalanced by a group of indifferent, often lazy politicians who see their role as denouncing the government. Then there is a third group which tends to drift with the tide, offering grumbling assent to the leadership but little conviction and less action.

Voters may wonder why devolution should take precedence over better health and education services

Mr Blair has provided policy signposts: the party is no longer intent on increasing the tax burden, it is in favour of public/private sector partnerships, it is no longer hostile to allowing schools more independence. But signposts do not add up to a persuasive strategy. What is missing is not simply detail – at times Labour has been overly obsessed with the minutiae – but a sense that it has formulated policies across the range of issues which fit together as a coherent programme.

There are contradictions also. Its economic strategy promises to eschew crude demand management and to maintain a target for low inflation. But it offers also a target for growth. It does not explain which economic levers it will use to meet the growth target, or how it will respond to the inevitable conflicts between the two objectives.

It is the same with taxation. The increases imposed by the Conservatives are roundly condemned, not just because they represent broken promises but because of the additional burden on ordinary families. Yet any pre-election reversal of the increases has been condemned in advance as no more than a bribe. The voters will want to know if Mr Blair thinks the tax burden is too high, is about right or is too low. They might also ask whether his party agrees with its leader.

Then there is Europe. Few doubt that Mr Blair, who wants to take his party into the social democrat mainstream of its Continental counterparts, is serious about a commitment to keeping Britain in the European Union's first division. But a reflex embrace for the social chapter and a hedged commitment to joining a single currency do not add up to a European policy.

There is an exception to the general vagueness. In one policy area – constitutional reform – Mr Blair has given an irrevocable pledge to legislate immediately after the election for a parliament for Scotland and an assembly for Wales. The judgment of some allies in the senior ranks of the party who want much greater clarity elsewhere is that here the new leader has made a serious mistake.

The Conservatives will make preservation of the union a central issue in the election campaign. English voters may see devolution in Scotland as the first step towards independence. That could cost Labour precious votes in Tory-held marginals in the Midlands and the north-west.

And if Labour won the election, its first administration since 1979 could become bogged down from the outset in a bitter constitutional battle. Dozens of his own MPs might rebel. Those with longer memories than Mr Blair need no reminding that it was a battle over devolution that crippled the last Labour government.

Mr Blair defends the commitment, arguing that greater democracy is essential to restore the electorate's faith in Britain's institutions and in its political leaders. The voters may be forgiven for wondering why devolution should take precedence over better health and education services, or action to shorten the dole queues.

More generally, Mr Blair insists he is pacing himself ahead of an election that may not take place before mid-1997. His first six months were occupied with setting out the guiding principles for policy. The next few months will be taken up with winning the battle over Clause IV. Then will be the time to start formulating the "flagship policies" on which Labour will base its programme for government.

Mr Blair is fond of reminding those who doubt his determination that, since becoming leader, he has not given in on a single policy issue. He promises a simple statement of values to replace Clause IV which will cement the trust of the electorate in new Labour. He cannot afford to make compromises with his party's traditionalists. Nor can he afford to resist much longer the pressure to produce clear and practical policies to sit alongside the principles.

Every picture tells a story

Paul Taylor on the CD-Rom revolution in computing

The CD-Rom disc is beginning to transform the home personal computer market in much the way that its cousin, the digital compact disc, has come to dominate the music business.

Their vast storage capacity – a CD-Rom disc can store about 650 megabytes of data, equivalent to 450 ordinary 3½" floppy discs – makes them ideally suited for multimedia, the combination of digital text, video, still and moving images and sound. And a CD-Rom disc costs just pence to make.

Multimedia machines with a CD-Rom drive, high-quality sound card, fast graphics and powerful microprocessors are leading the assault on the consumer market.

Tumbling hardware prices have put multimedia PCs within the reach of most home PC buyers. As a result PCs equipped for multimedia have been among the hottest selling items this Christmas.

According to IDC, the market research firm, about one in five PC systems in Europe includes a CD-Rom drive and growth is accelerating. "The CD-Rom market in Europe started exploding in the second half of 1993," says IDC, which estimates 4.5m CD-Rom drives will have been sold in Europe this year, up from 1.6m in 1993.

The surge in CD-Rom drive sales has coincided with an explosion in the range of reference, entertainment and games titles available in CD-Rom format, and a dramatic improvement in software quality.

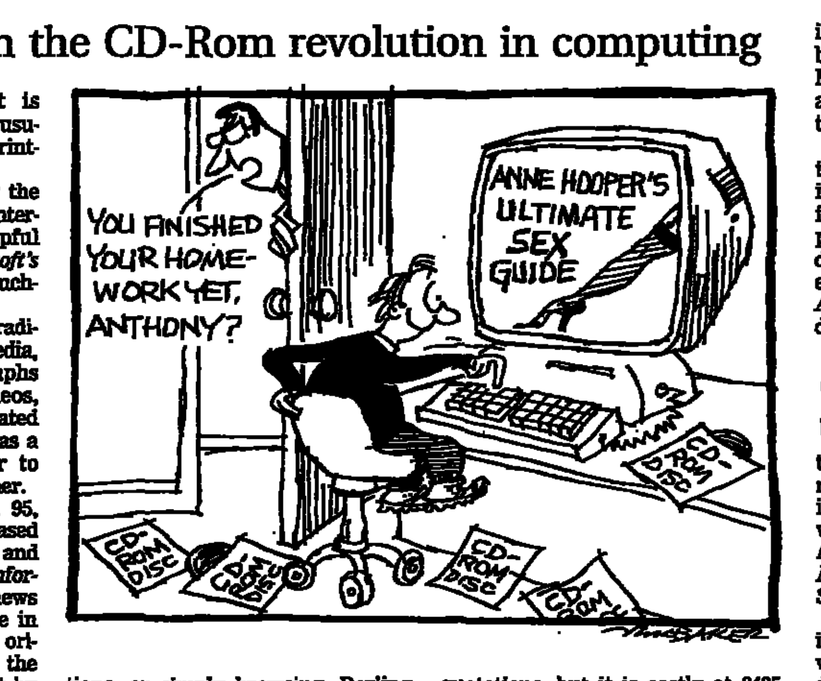
In the early days of CD-Rom much of the software was criticised for being slow and unattractive. But innovations, such as the introduction of faster double-spin speed drives and higher-quality sound cards, have encouraged publishers, including Microsoft and Dorling Kindersley, to be more imaginative.

Today there are thousands of discs available with prices ranging from less than £10 to several hundreds of pounds – or even thousands. But most software aimed at the home consumer market is priced between £25 and £70 – usually a modest premium over print-based equivalents.

The encyclopedia is probably the archetypal CD-Rom product – entertaining, informative and helpful with homework. Indeed *Microsoft's Encarta* encyclopedia is the benchmark for other CD-Roms.

It includes the full text of a traditional 29-volume print encyclopedia, together with sound, photographs and graphics, interactive videos, animations, maps and an illustrated time line. It is as quick to use as a print encyclopedia and easier to jump from one subject to another.

The latest version, Encarta 95, costs about £85 and was released last month. It has 26,000 articles and has been updated to include information on some of the latest news events – including the ceasefire in Northern Ireland. Despite its US origins, the articles easily meet the homework demands placed on it by most junior and secondary school children in Europe.



Other encyclopedias worth considering include the *New Grolier Encyclopedia* and the new *Hutchinson Encyclopedia* '95, the only fully British multimedia encyclopaedia, containing some 34,000 articles though in less depth and with fewer video and sound clips than *Encarta*.

Red Shift provides "a planetarium on your desktop" for £70. This award-winning space simulation includes over 700 photographs and takes the peruser on a voyage of discovery across the solar system.

For ease of use and superb presentation, five new titles from Dorling Kindersley, the innovative British book publisher, are hard to beat.

Eyewitness Encyclopedia of Science is a top-rated and brilliantly illustrated interactive disc containing 1,700 entries and aimed at children aged 10 and older. Like *Encarta*, this CD-Rom is good for answering basic homework questions, or simply browsing. Dorling Kindersley's other CD-Roms are also aimed at a younger audience, and include *The Way Things Work* and *Incredible Cross-Sections* which provides a fascinating multimedia tour of an 18th century man-of-war ship. *The Ultimate Human Body* features three-dimensional images, detailed micro-photography, animation and sounds and includes an interactive journey through the human body to discover what every part is called, where it is situated, what it looks like and how it functions.

For a younger audience, *My First Incredible Amazing Dictionary* targets children aged four to seven, including those who cannot yet read or have never used a computer. This CD-Rom presents 1,000 words in context so children can see and hear how they are used in speech and writing.

For older wordsmiths *The Oxford English Dictionary* is impressive on CD-Rom, with over 2.4m illustrative quotations, but it is costly at £495. For those with smaller wallets, the *Concise Oxford English Dictionary* is available for £50.

Meanwhile Microsoft's *Bookshelf 1994* includes the latest editions of seven – mostly US – reference works including word dictionary, dictionary of quotations, encyclopedia and atlas.

Microsoft's rapidly expanding library of home multimedia titles also includes *Ancient Lands* and *Microsoft Dinosaurs*, which provides a tour of prehistoric life, as does *Prehistoria*, originated by Software Toolworks, which was acquired this year by the Pearson Group, owner of the Financial Times, and renamed Mindscape.

Other "edutainment" CD-Roms for children include *Interactive Storytime*, also originated by Software Toolworks – three discs of interactive stories for children. In the US the hottest children's CD-Rom this Christmas is probably Disney's recently released Lion King, an interactive animated story-book based on the children's film. And Microsoft's *Cinemania 95* is acknowledged as the definitive multimedia film guide.

There is a wide range of CD-Rom titles covering the art world, including *Cameron's Fine Art*, 450 works from leading artists and photographers; *Renaissance Masters*, a two-disc series with 1,300 images on each title; and *Exploring Modern Art*, a tour of the Tate Gallery conducted by the senior curator.

Serious Music buffs may be interested in CD-Roms covering the lives and works of great composers, which try to make the most of the CD-Rom's multimedia capabilities by combining music with analysis of the works and the composer's life. Among these are *Beethoven's 5th*, *Mozart: The Dissonant Quintet* and *Stravinsky: The Rite of Spring*.

For pop fans, *Jump* provides an insight into David Bowie's weird world while Peter Gabriel has produced an extraordinary CD-Rom featuring his music called *Xplora 1*.

Anyone wanting to improve their chess game should try *Chessmaster 4000*, one of several sophisticated interactive chess games available on CD-Rom – a £40 package including superb graphics but which, like even the best CD-Rom package, complements a real board and human opponent, rather than substitutes for either.

The audio CD has all but replaced its vinyl predecessor. Will the electronic book, in the form of a CD-Rom, have the same impact on its paper-based rival? Probably not, since text on screen is still much harder to read than print.

Yet, as many new multimedia CD-Rom titles demonstrate, the combination of moving and still images, sound and text is a potent mix, particularly for the young. The growing list of publishers jumping aboard the CD-Rom bandwagon shows this is a new market not to be ignored.


The power of communications

The fax war

Roula Khalaf and Mark Nicholson on a high-tech challenge in Saudi Arabia

In a non-descript three-bedroom apartment in north-west London a traditional Saudi meat stew simmers on the kitchen stove, as Mr Mohammed al-Massaari, dressed in a white caftan, stands over a row of modems.

This is the headquarters in-exile of the Committee for the Defence of Legitimate Rights in Saudi Arabia, an organisation that every Tuesday spends 10 hours sending 800 faxes to Saudi Arabia and 200 to other embassies and press centres.

Mr al-Massaari, a physics professor turned Saudi dissident, and his partner, Mr Saad al-Faguih, a surgeon, were jailed for launching the CDLR – which advocates greater government accountability and stronger adherence to Islamic values – in Saudi Arabia in 1993. On their release, they fled to London, applied for political asylum and went shopping – for fax machines, modems, computers and a copier.

For the past eight months, they have bombarded Saudi government offices, businesses and universities with faxes. "We've sent faxes to the king himself and his defence ministers," says Mr al-Faguih. "We have their private numbers," he adds, with the glee of the computer hacker who has beaten the system.

The faxes they send are libellous inventories of alleged incompetencies and corruption, spiced with accusations of sexual peccadilloes. Typical are remarks such as "prince X is fond of flogging people in his office. Sordidly he often uses shoes on his victims", or "X leads a group of sexual deviants who have terrorised the people of the province".

Last week's fax carried a warning that a leading hotel owned by the Treasury department had installed hidden cameras to record the guests' "very intimate" moments with the intention of blackmail.

The CDLR's own fax machines, meanwhile, receive a barrage of grievances, sometimes factual, sometimes fictional, from supporters in the kingdom. Drawing such complaints has required ingenuity – in the form of telephone lines that allow Saudis to call without being traced.

"We had two limitations," says Mr al-Faguih. "US telecommunications operators, such as MCI, AT&T and Sprint, do not have facilities to connect Saudi Arabia with the rest of the world, and people do not have calling cards in Saudi Arabia."

The CDLR solution has been a toll-free number, which connects callers, via MCI, AT&T or Sprint, to a number in the US. That Washington DC call is then forwarded to the CDLR in London by a local telecoms carrier. The CDLR has also purchased two calling-card numbers, issued by AT&T and MCI, that can be used only to dial its London offices, and disseminated the numbers throughout the kingdom. The itemised bills for all these calls are seen only by the CDLR.

The faxes are libellous inventories of alleged Saudi corruption

For the sophisticated user, the CDLR promises a newsletter will soon be available via E-mail. Mr al-Faguih says he is also negotiating with several US companies for a contract to fax the newsletter on the CDLR's behalf. He says he has received an offer from a US company to fax the newsletter which would reduce by half his monthly costs of £30,000 (financed by Islamist supporters within the kingdom).

Even without such advances, the CDLR faxes have presented a growing nuisance to a sensitive government. Saudi rulers, when they comment at all on the CDLR, adopt an air of haughty dismissiveness. "They are nutcases," a prince said. "These faxes don't represent any increase in the kingdom for their point of view." Nevertheless, members of the ruling family find them irksome.

The government is used to controlling information sources. A team of censors pens sits daily in an office in the Saudi information ministry ripping offending pages out of foreign newspapers, blackening news pictures, or striking out with a giant black X any advert for alcohol. The royal family has also tried to prevent uncontrolled satellite TV broadcasts in the kingdom.

In a land where media sources are purged of anything deemed un-Islamic, anti-Saudi, critical of the rulers or even just saucy, the faxes make popular and gripping reading.

And the Saudi government is disconcerted by their political effect, although officials claim that the problem is not that the faxes are galvanising an anti-government mobilisation, but that they are damaging people's view of the kingdom.

The faxes are also demonstrating the paucity of Saudi Arabia's information policies. Many of the faxes are sent to western journalists, who, starved of other information about Saudi politics, have given their allegations play. For such journalists, there is no one in the kingdom who can be contacted for an official rebuttal, or to put another side. Some of the princes admit that the government has found no satisfactory way of responding to the publicity that the CDLR has created.

Last month, the Saudi government offered visas to about a dozen western reporters in an attempt to redress this problem. But this new openness did not seem to have percolated far into the Saudi bureaucracy. After a fruitless 45-minute interview, one FT correspondent's Saudi minder helpfully explained, about the senior official in question: "he doesn't really like talking to journalists, so he was not going to tell you anything".

Another Saudi response has been to urge the British government to get rid of the troublesome Mr al-Massaari and his London fax HQ – a topic that was high on the agenda of prime minister John Major's recent talks in the kingdom.

Mr al-Massaari's request for political asylum in Britain was refused last month, though he is now appealing. But being forced to leave the UK is unlikely to force him to abandon his modems.

The CDLR may long for the pure Islamic state of the 8th century, but it has embraced the telecommunications revolution of the 20th century. Mr Al-Faguih says: "Khomeini's was a cassette revolution, ours will be a fax revolution."

Treuhand: the big sell


Birgit Breuel, Treuhand president

Sales by Treuhand to foreign investors (up to September 1994)

	Number of enterprises	Investment commitments (DMm)	Number of job guarantees	Proceeds (DMm)
Denmark	26	546	3,196	338
France	89	5,454	25,422	1,447
UK	124	2,825	18,866	1,183
Italy	35	702	4,897	326
Canada	10	1,849	16,955	35
Luxembourg	12	408	2,208	276
Netherlands	96	1,191	10,577	394
Austria	100	1,016	16,323	289
Switzerland	139	1,191	19,474	456
US	77	3,695	13,273	1,078
Others	145	2,935	21,196	390
Total	855	21,709	182,387	6,214

Source: Treuhand

The end of the line

As the Treuhand winds up, Judy Dempsey looks at its record

Four years ago, the Treuhand, Germany's privatisation agency, vowed to complete its operations by the end of 1994. Mrs Birgit Breuel, the agency's combative head, is proud that the organisation, the world's largest holding company, will keep its promise and cease operations on December 31.

"We stuck to our mandate. There was no other alternative," she says.

Mrs Breuel, who joined the Treuhand in October 1990, succeeded its first head, Mr Detlev Rohwedder, in April 1991 after he was murdered by unknown assassins. The agency had been set up in March 1990 to privatise the state-run economy of former communist east Germany.

Treuhand's small staff of west German industrial managers had no idea of the scale of the task or how much it would cost. The agency had no reliable accounts or balance sheets for the Kombinate, the giant state-owned enterprises that it started dismantling in late 1990.

Once figures were available, the magnitude of the problems became apparent. The Treuhand had 13,781 industrial enterprises on its books, plus 10,652 small shops and other retail businesses. It employed about 4m people. 3.5m of them industrial workers.

In the past 56 months, the Treuhand has quickly privatised the retail outlets. Of the industrial enterprises, 3,527 have been closed. Almost all the rest have been sold, 2,679 to management buy-outs, 855 to foreign investors and the rest to west German investors.

In all, the Treuhand has attracted investment commitments of about DM206bn (£85bn) and earned DM64.9bn from sales. The remaining 100 companies will be placed under so-called Management KGs run by west German managers with the aim of preparing them for privatisation.

Impressive though this record is, the Treuhand has been the subject of acute criticism in both parts of Germany.

One cause is its cost. Privatisation receipts from east German industry were once optimistically expected to yield as much as DM600bn for the finance ministry. Instead, the Treuhand will have run up debts of DM270bn, of which DM100bn has been spent on restructuring companies and subsidising jobs.

When the Treuhand decided to save some sections of the industrial/manufacturing base, it did so at enormous expense to the taxpayer.

In the east German shipbuilding sector, for instance, 7,000 of the original 40,000 jobs have been saved at a cost of more than DM700,000 for each job. The subsidies for saving jobs at Eko Stahl, east Germany's loss-making steel company, will cost even more.

"These industries will become competitive," says Mrs Breuel. Treuhand officials admit, however, they were trapped between privatising quickly and saving jobs through what amounted to transitional subsidies.

The agency's record in preserving jobs has also been criticised. Six out of 10 employees at Treuhand enterprises lost their jobs. The Treuhand has secured job guarantees for just 1.5m workers, only 700,000 in the manufacturing sector.

IG Metall, the steel and engineering trade union, and the governments of the five east German states believe the way the Treuhand closed large sections of industry hindered the growth of the Mittelstand, small and medium-sized enterprises. "The Treuhand's policies virtually destroyed the region's industrial base," says Mr Karl Röhring, an official of the union's Berlin/Brandenburg branch. "The Mittelstand depends on an industrial base. East Germany cannot live off services alone. It will never become a self-sustaining economy without industry."

IG Metall also attacks what it describes as the absence of an economic strategy to help the newly privatised companies survive. "That was up to the politicians," says Mrs Breuel. "That had nothing got to do with our mandate."

And Mr Otto Schily, head of the parliamentary investigation committee set up to scrutinise the Treuhand, has accused the agency of making decisions behind closed doors, in particular of selling companies too cheaply to managers who wanted only to pick up the subsidies or the property.

"We were open at all times," says Mrs Breuel, adding that negotiations are never carried out in the public domain.

There has also been criticism of the agency's methods from foreign investors. "We were often passed from one Treuhand official to the other. We never knew the rules of the game," a UK investor complains.

But Mrs Breuel rebuts any notion that the Treuhand tried to keep foreign investors out. "About 10 per cent of our portfolio has been sold to foreigners," she says. "All along, we applied the same philosophy to each sale. We wanted to buy management, buy know-how, buy expertise, buy technology – even more importantly, buy marketing skills."

As the Treuhand prepares to end its operations, however, its pace and methods continue to evoke as much admiration as criticism. "I have spoken to people who have done mergers and acquisitions, and they said you needed about 10 years for this kind of work. They are truly surprised at what the Treuhand achieved," says Mr Horst Siebert, head of the Institute for World Economy at Kiel University.

The agency has had to cope, for example, with obstruction from east German factory managers, many of them former communists opposed to privatisation. They feared for their jobs if the true financial condition of their enterprises were discovered.

"I remember when I was carrying out an inventory of the enterprise, one of the department heads, a former member of the Stasi [east Germany's secret police] simply refused to hand over some records," says one US consultant. "In the end, he locked me into a small room and allowed me to look at the books. I was not allowed to take them away."

More fundamentally, there was no precedent for privatising an entire economy, particularly when monetary union between the two Germanys had made the east's exports uncompetitive in its core markets of eastern Europe.

Mrs Breuel recalls the early days as "truly extraordinary times. After starting from virtually nothing, we built up a network of experts and a financial picture of the enterprises."

And despite the criticisms, few economists believe there was an alternative to the way the Treuhand operated. "I looked at how some of the east European countries were introducing the voucher system in which ordinary people could trade in their coupons for shares," says Mr Siebert. "But in the case of east Germany, this system would not have had the effect of bringing in capital very quickly, as well as bringing in new management. These two aspects were the most promising ingredients of the Treuhand's methods."

The benefits of the Treuhand approach can now be seen in the investment record: some DM140bn of private investment has been used to modernise the capital stock of east Germany's enterprises and to improve the quality of distribution. For the first time last year, investment per capita in the east exceeded that in the west.

The true worth of the Treuhand's work will be measured by the performance of the east German economy in coming years. It is now showing real signs of recovery, with growth expected to be 9 per cent this year and a further 10 per cent in 1995 (though this follows a fall of 30 per cent in 1991-1992).

Much of this growth is fuelled by the non-tradeable goods sector, including the construction and food-processing industry. Exports by privatised companies remain miserable, partly because of high labour costs and low productivity. Gross domestic product per employee in eastern Germany last year was 46 per cent of the level in the west, while per capita wages and salaries rose to 70 per cent of the western level.

Despite these more optimistic signs of growth, Mrs Breuel declines to speculate what the east German economy will look like in 10 years. "I am no Delphi. But I have no doubt that the kind of management skills we have bought and investment decisions we have made will bear fruit."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Need to achieve a better balance in social policy in Europe and the UK

From Mr Robbie Gilbert,

Sir, Mr Peter Cooke (Letters, December 29), maintains that "the economic value of EU membership should be shared partly in the form of improved social benefits for workers where those can be delivered without prejudicing competitiveness". Few would argue with that. But the problem with many of the social measures brought forward by the European Commission – including the European works council directive – is that they do compromise competitiveness, and at a time when Europe's share of world trade is falling. Unemployment, particularly long-term unemployment, has been worse as a result.

The problem is that social policy has been too much concerned with the rights of those in employment and too little directed towards what would help the 20m out of work in the EU find jobs. The result has been both inflexibility in labour markets and high social costs for every person employed across much of Europe.

That undermines competitiveness and the creation of jobs. Employers are well aware of this, but it is also being recognised now by other objective observers, notably the OECD in its recent jobs study.

It was an inevitable consequence of the general approach of harmonising social provisions at the most generous – and therefore the costliest and most restrictive – level applying anywhere in Europe. The social chapter of the Maastricht treaty, with its provision for majority voting in place of unanimity on a wider range of topics, threatened more of the same – rather than the radical rethink required. That affects British businesses and jobs. UK companies value the social chapter opt-out accordingly.

Some welcome signs of a shift in the Commission's thinking have emerged during the past 12 months, not least Commission President Jacques Delors' recognition of the competitive challenge to Europe, and Social Affairs Commissioner Flynn's promise of no new raft of legislation. A better balance in European social policy may now emerge. But whether that would have happened – and whether it will yet prevail – without vigorous advocacy from British ministers aimed at persuading their Continental colleagues must be open to question.

There are, indeed, still ostriches hiding from the challenge of change and arguing for the old approach, though they are more commonly found in Brussels than Westminster.

Robbie Gilbert,
director of employment affairs,
Confederation of British Industry,
13 New Oxford Street,
London WC1A 1DU

From Mr Robin Pedler,

Sir, Peter Cooke's thoughtful letter was published in the same issue in which you featured a report, entitled "Germany ahead of UK on labour costs", detailing the Confederation of British Industry's concerns that Germany's unit labour costs are reducing at the same time as the UK's are again beginning to increase.

It would seem that the current policy of resisting the legal protection of employee rights is no guarantee of maintaining comparatively low unit labour costs, even when the comparison is with Germany, the European country where those rights are most entrenched.

Robin Pedler,
executive director,
European Centre for Public Affairs,
Templeton College,
Oxford OX1 5NY

From Mr Chris Pond.

Sir, Your call for a debate about worker rights is welcome ("Time to debate worker rights", December 22). The UK is almost the least-regulated of the OECD economies, without legal pay protection, limits to working hours or a statutory right to paid holidays. Yet recent evidence provided by both the European Commission and the employment department has demonstrated that the deregulation strategy has not created significant numbers of new jobs.

Indeed, the UK's record of job creation is rather poorer over the medium term than that of other economies with far higher levels of social and employment protection.

Employment secretary Michael Portillo's decision earlier this month to opt out of a European directive providing improved rights for part timers and temporary workers is a case in point. While other EU governments consider that improved rights for part-timers will increase flexibility by encouraging more people to accept part-time employment, the UK insists that fewer such jobs will be created.

The same arguments were used against the Equal Pay Act. If companies had to pay the same wage for women as for men, it was said, they would cease to employ people full-time if they were required to provide the same rights to part-timers.

Your editorial calls for "a framework of employment rights; which could make the two demands – flexibility and fairness – more visibly compatible". The experience of the US, which pursued the same deregulation strategy as the UK during the 1980s, provides an important lesson.

As Robert Reich, US labour secretary, has explained, the insecurity and uncertainty that deregulation created made people less willing to accept the changes that a modern economy requires. The lack of employment rights has resulted in less flexibility, not more.

Fairness and flexibility are not incompatible: indeed, it seems unlikely that the latter can, in the long-term, be achieved without the former.

Chris Pond,
director,
Low Pay Unit,
27-29 Amwell Street,
London EC1R 1UN

Referendum for EEC only

From Mr J G Bye.

Sir, You state in your "FT Guide to EU Inter-governmental Conference" (December 19) that Britain held a referendum on EU membership in 1975. But surely at that time we voted for continued membership of the European Economic Community and not for the federalist monolith we now seem to be rushing headlong towards.

J G Bye,
39 Mountsorrel Lane,
Rothley,
Leicester LE7 7PS

Zimbabwe tobacco growers diversify by choice

From Mr P W Richards.

Sir, I refer to your excellent article, "Zimbabwe's flower exports take to the sky" (December 21). It is incorrect to say that "the [flower] industry took off when white tobacco farmers decided to diversify, fearing the strength of the anti-smoking lobby in the west".

Traditionally, tobacco production has been the mainstay of farming in those areas of Zimbabwe suitable for this purpose. However, generations of tobacco farmers have recognised the danger of having all your eggs in one basket and have attempted different forms of diversification.

I well remember the governor of the Reserve Bank, when opening the annual tobacco congress in 1961, exhorting tobacco growers to diversify and suggesting ground nuts as a possible crop. This diversification has ebbed and flowed over the years, depending on the prevailing economic return of tobacco viz a viz that of alternative crops.

Horticulture is presently the most popular alternative source of income for tobacco farmers. Not because of a fear of declining tobacco fortunes due to the anti-smoking campaign but because horticulture currently enjoys a satisfactory return on each dollar invested. To achieve such a return does, however, require a massive initial capital investment. Tobacco is the only crop which can significantly carry that investment until the first return is realised.

P W Richards,
president,
Zimbabwe Tobacco Association,
Harare,
Zimbabwe

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IN BRIEF

Bull sees return to operating profit

Groupe Bull, the French computer manufacturer in the process of being privatised, has achieved its aim of returning to profit at the operating level, according to Mr Jean-Marie Descarpentries, the chairman. Page 16

Air France 'hinders Swissair plan'
Swissair, the quoted Swiss carrier, said Air France's partial ownership of Sabena was hindering its plans to buy a large minority stake in the Belgian national airline. Page 16

Fokker seeks to calm shares
Shares in Fokker, the Dutch aircraft manufacturer, fell heavily after a series of negative domestic media reports, but recovered strongly towards the close of trading as the company repeated that it was working on a new cost-cutting campaign. Page 16

Santander snatches phone licence
Banco Santander has delivered a second punishing blow to Banco Bilbao Vizcaya, its chief domestic banking rival, in little over six months. A Santander-backed consortium has edged a BBV-led group out of the contest to develop a nationwide mobile telephony system. Page 19

Jardine leaves of the Hong Kong SE
Hong Kong's stock market today loses two of its biggest and oldest listings, Jardine Matheson and Jardine Strategic Holdings. Page 19

SCA to sell clothes division
SCA, the Swedish forestry products group, has agreed to sell a clothes-making unit to William Baird, the British ready-to-wear clothing producer. It is the second strategic move announced this week by SCA's biggest subsidiary, Mölnlycke. Page 16

EA-Generali maintains dividend
EA-Generali, Austria's second largest insurance group, said its premium income rose 7 per cent in 1994, to Sch36.5bn ($3.3bn), and reaffirmed its intention to maintain its 15 per cent dividend. Page 16

Stanhope takes trading advice
Stanhope, the property developer headed by Mr Stuart Lipton, is understood to have taken legal advice about continuing trading, pending the outcome of negotiations with its bankers, advisers and other companies which have proposed rescue schemes. Page 20

Prudential buys 25% of Thai group
Prudential Corporation, the UK's largest life insurer, has bought a 24.99 per cent stake in Thai Sethakit Life and plans to bid for further shares. Page 20

First Choice tones down German alliance
First Choice, the UK holidays group, scaled down its strategic alliance with Germany's Westdeutsche Landesbank, which controls a 21 per cent stake in it. Page 16

Bass chief's pay increases 17%
Mr Ian Prosser, chairman and chief executive of Bass, the brewing group, enjoyed a 17 per cent rise in total pay last year, twice the rate of increase in group pre-tax profits. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Asko Prf	610	-	30
Springer Berlin	360	-	6.5
BMW	760	-	11.5
Daimler Benz	752	-	17
Karstadt	554	-	15.5
Volkswagen Prf	333	-	15
NEW YORK ($)			
Rises			
Fleet Mtg	29	+	2¾
GC Cos	26⅛	+	1⅛
Shanghai Pet	28⅞	+	1⅛
Value Hlth.	37⅛	+	2⅛
Falls			
Smucker JM A	23⅛	-	1⅛
Sterile Con	15⅛	-	1⅛
PARIS (FFr)			
Rises			
Fonc Lyonnaise	622	+	33
Taittinger	2445	+	145
Falls			
CGIP	1130	-	58
Elf Aquitaine Ct	315.8	-	32.2
Eridania B-S Ct	813	-	33
Total B	312.3	-	10.7
TOKYO (Yen)			
Rises			
Japan Wool	1200	+	40
Nippon Soda	688	+	28
Tokuyama	585	+	20
Falls			
Chuo Tst & Bkg	1430	-	50
Kyotaru	740	-	24
Mizuno Sporting	1010	-	40

New York prices at 1230.

LONDON (Pence)			
Rises			
Band (pmq)	208	+	8
Benson Grp	10½	+	1
Berkeley Busn	9½	+	1
Chrysalis	256	+	8
Glanshire	23½	+	3
Manchester	280	+	10
Whitbey	74	+	3
Falls			
Assoc Brit Foods	565	-	14
Blue Circle	284	-	9
Cable & Wire	378	-	12
Comm Union	594	-	14
Mercury Asset	897	-	11
Sun Alliance	292	-	8
Tomkins	220	-	6

Fininvest to sell supermarkets chain

By Robert Graham in Rome

Fininvest, Italy's second largest private business group owned by out-going premier Silvio Berlusconi, is to announce today the L950bn ($579m) sale of part of its retailing interests to a consortium of the Benetton clothing group and Luxottica, the spectacles producer.

The deal involves hiving off the Euromercato supermarkets from Fininvest's stores and retailing division which are grouped under the umbrella of the Standa chain of stores. The division has a total turnover of L5,200bn. The sale of Euromercato will cut turnover by L1,200bn.

The sale was indirectly confirmed last night by Mr Giancarlo Foscale, head of the Standa group and a cousin of Mr Berlusconi who told Ansa, the Italian national news agency: "I can't say to whom we will sell Euromercato as there are talks with Benetton and Luxottica; but the COOP could also come in even though this is less likely since behind them were other partners including Rinascente (the Fiat group)."

The sell-off marks an important stage in the reorganisation of Mr Berlusconi's Fininvest under the management of Mr Franco Tato. But it also signals the rapidly expanding ambitions in the retail field of the Benetton family and Mr Leonardo Del Vecchio, founder of Luxottica. Only two months ago they broke into this field, teaming up with Switzerland's Movenpick, to pay L2,100bn for the GS-Autogrill group being privatised by IRI, the state holding company.

The cash proceeds from Euromercato will be used to reduce Fininvest's overall debt burden which last year totalled L3,920bn on a turnover of L11,552bn. Fininvest indicated three months ago that debt would be reduced to L2,800bn by the year end.

Mr Foscale said yesterday the sale would also allow an extensive upgrading of Standa. Some L500m of existing debt is concentrated in loss-making Standa; but Standa's debts are believed to be considerably greater if long unpaid bills to suppliers are included. Standa this year is expected to lose L100bn.

Fininvest has been contemplating a partial or total withdrawal from retailing for nearly eighteen months. Mr Berlusconi bought into this sector in the late eighties paying high prices, financed by costly debt. This was especially the case with Standa bought from the Ferruzzi group in 1988. Both Mr Berlusconi and his cousin, the manager, are understood to have resisted selling Standa. Standa alone provides more than 40 per cent of Fininvest cash flow, an important consideration for the group's overall finances.

Richard Tomkins charts the transformation of ITT as the conglomerate nears its 75th anniversary

Not on the rocks but it may still break up

The year about to begin will mark the 75th anniversary of ITT, the US conglomerate once known as International Telephone and Telegraph. Will it also be the year in which the company ceases to exist?

Wall Street is rife with speculation that ITT is about to be broken up. The company itself does not deny it could happen; indeed, in March this year it made what many analysts construed as a preparatory move by announcing plans to turn its three main operating divisions into separate subsidiary companies.

With or without a break-up, the company is being transformed. This week it said it had found buyers for ITT Financial, its group of financial services businesses, in deals that should bring in a net $3.3bn to $3.5bn. Only a week earlier it announced that it was buying Caesars World, the US casino group, for $1.7bn.

The company that will emerge from this transformation will be very different from the one that Mr Rand Araskog, chairman and chief executive, inherited in 1979. During an extraordinary 20-year buying spree, his predecessor, Mr Harold Geneen, had expanded ITT beyond its roots in telecommunications and built it into one of the world's biggest multinational conglomerates.

Under Mr Geneen, ITT snapped up any company it regarded as undervalued, regardless of the business it was in. Its 250 acquisitions included companies as diverse as Avis, the car rental group; Continental Baking, maker of Wonder bread and Twinkies; Eason Oil, an oil and gas producer; and W. Atlee Burpee, a seed company.

Something else ITT acquired during the Geneen years was a reputation for pursuing profit without much regard for ethics. One of the more notorious scandals it was involved in was in 1970 when, fearing the nationalisation of its assets in Chile, it offered the Central Intelligence Agency $1m to fund a campaign to block the election of the left-wing Allende government.

When Mr Araskog took over at ITT, one of his first moves was to soften ITT's image by emphasising social responsibility. But he was tough in other ways: he ruthlessly hacked back the sprawling ITT empire, not only selling off most of the businesses acquired by Mr Geneen, but even pulling out of the telecommunications business on which the group had been built.

> The share price has rebounded on the prospects of what the future may hold

Rationalisation, however, did not succeed in transforming ITT's lacklustre financial performance. During the 1980s, as profits bobbed up and down, ITT's stock badly underperformed the market: from 1979 to 1991, it lagged the Standard & Poor's 500-share index by 36 per cent. Investors fumed as Mr Araskog and his executives rewarded themselves with lavish pay and perks.

Matters came to a head three years ago when activist shareholders pressed the board to link executive pay to ITT's share price performance. Since then, profits have continued unsteadily: last year's net earnings of $913m were an improvement on the previous year's losses of $260m, but were lower than the $922m earned in 1990. Yet the share price has rebounded on the prospects of what the future may hold.

Today, ITT is still diversified, but Mr Araskog has whittled it down to three main areas of activity. Financial services, the largest division, comprises ITT Hartford, a big insurance company; ITT Financial, now being sold; and ITT Communications and Information Services, a publisher of telephone and business directories. The manufacturing division comprises an array of automotive, fluid technology, and defence and electronics businesses. And the leisure division, the smallest of the three, consists of ITT Sheraton, the international hotel group.

Mr Araskog's recent strategy has been to strike a better balance between the three divisions by selling the financial services operations, excluding ITT Hartford, and using the proceeds to expand in the lodging, gaming and entertainment industry.

In the past few months ITT has spent $400m to acquire a 70 per cent controlling stake in Ciga, the Italian luxury hotel group; signed up with Cablevision Systems, a US cable television company, to buy New York's Madison Square Garden sports and entertainment complex for $1.1bn; and agreed the $1.7bn acquisition of Caesars World, one of the best-known names in the gaming industry.

Not all the moves have been welcomed by Wall Street. ITT's share price fell by 8 per cent in the week the company announced the Madison Square Garden acquisition because ITT had no experience in the sports business and Madison Square Garden lacked any obvious synergy with ITT's existing activities.

"That seemed to scare investors," says Mr Jay Cohen, an analyst at Salomon Brothers. For the same reason, the market is uneasy about hints that ITT would like to buy into television broadcasting.

Yet excitement has been provoked by the prospects of a break-up. Mr Phua Young, an analyst at Lehman Brothers, points out that investors have difficulty in valuing the ITT conglomerate because insurance companies are typically valued on a multiple of book value, industrial companies are valued on a multiple of earnings, and hotel and casino companies are valued on a multiple of cashflow. Break the three up, Mr Young says, and ITT would be worth at least $115 a share, compared to yesterday's $87⅞.

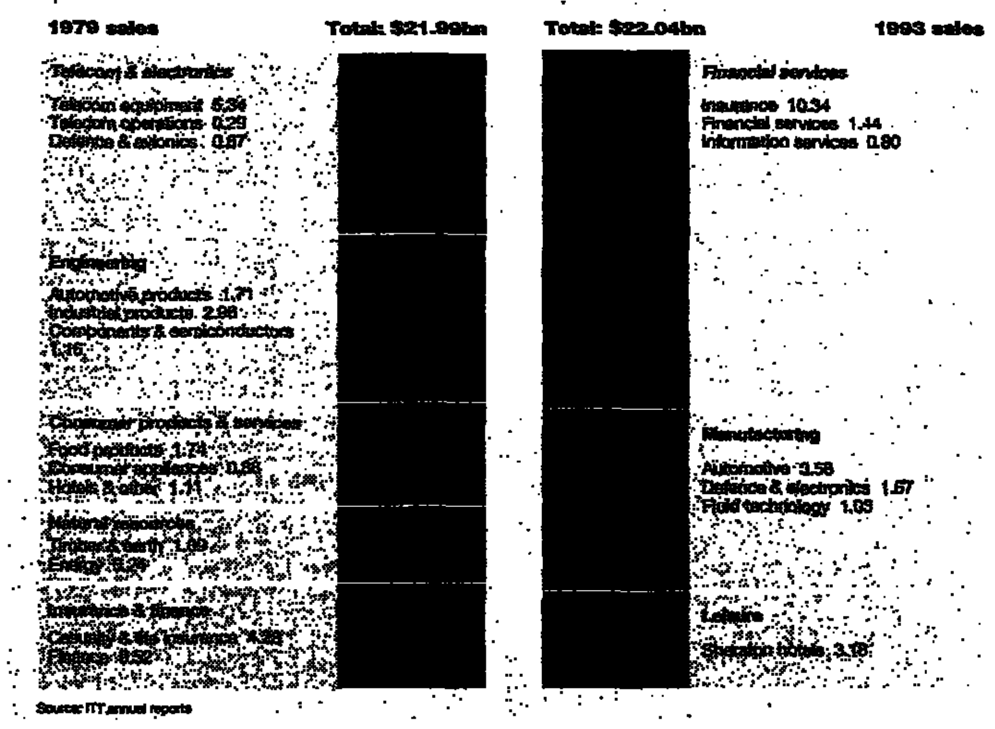
ITT has been careful not to confirm or deny the likelihood of a break up, but it says this is not the main motivation for incorporating the three divisions. As separate companies, it says, they will perform better because they will have more management freedom and will be in a better position to raise capital for the growth of their businesses.

This is not the first time speculation about a break-up has arisen: Mr Araskog spoke of splitting up ITT in an interview with the Financial Times nearly three years ago.

But this time, investors see greater grounds for certainty because Mr Araskog, 63, reaches the mandatory company retirement age in 18 months.

ITT insiders say Mr Araskog, has no inclination to retire. He also finds the entertainment business particularly appealing because it gives him a high public profile and allows him to travel the world, both of which he enjoys.

If ITT ceased to exist, so would the mandatory retirement age – and what then would prevent Mr Araskog from staying on as chairman of the leisure and entertainment company for as long as he liked?



Source: ITT annual reports

Cartel block on Hochtief bid to raise holding in Holzmann

By Judy Dempsey in Berlin

Hochtief, one of Germany's largest construction companies, will not be allowed to increase its stake in Philipp Holzmann, its main domestic competitor, the federal cartel office said yesterday. Hochtief, which wants to expand its domestic market share and international profile, said it would examine the preliminary decision and possibly challenge it by January 10, the deadline set by the cartel authorities before they make their final ruling on January 16. The preliminary ruling is expected to be confirmed.

Holzmann, Germany's biggest construction company, expressed relief at the decision. It had been uneasy about Hochtief's possible eventual acquisition of a majority stake. "The cartel office held the trump card, and we played it," Holzmann said.

Although the largest two construction companies in Germany, they together account for about 3 per cent of the total market.

However, since both companies specialise in large industrial projects, ranging from bridges to airports, they enjoy a dominant market position in these sectors.

Mr Jürgen Kiecker of the cartel office said an increased Hochtief stake in Holzmann would have increased the companies' dominant position. The decision was made after examining contracts worth DM50m ($32m) or more. "Between 1990 and October 1994, Hochtief and Holzmann had 30 per cent of the 530 contracts of this size or over. Any merger would hinder competition," Mr Kiecker said.

Hochtief had intended to increase its 20 per cent holding in Holzmann to 30 per cent through acquiring a 10 per cent stake owned by BfG, a subsidiary of Credit Lyonnais. BfG acquired that stake last year. Hochtief was also considering buying 5 per cent owned by Commerzbank.

Deutsche Bank remains Holzmann's largest shareholder with 25.9 per cent, although recent reports indicate it wants to reduce that stake to 10 per cent.

Hochtief had intended to combine the skills of both companies to expand on the world market at a time when the construction industry in west Germany is stagnating, although it remains buoyant in east Germany.

Hochtief last year had a turnover of DM8bn, with foreign sales accounting for 20 per cent, and net earnings of DM122m. Holtzmann had a larger turnover of DM12.4bn, but lower earnings of DM106m. RWE, Germany's largest electricity company, owns 56 per cent of Hochtief.

Banesto sells Portugal stake

By Peter Wise in Lisbon

Banco Español de Crédito, the troubled Spanish bank, agreed yesterday to sell its 50 per cent holding in Banco Totta e Açores, Portugal's third largest bank, for Es153bn ($944.3m).

The buyer is Mr António Champalimaud, a 76-year-old Portuguese entrepreneur who has been buying back the industrial and financial empire wrested from his family after Portugal's left-wing revolution in 1974. He is Portugal's richest individual, with an estimated personal net worth of Es170bn.

Banesto's price for BTA is approximately two times book value. It is similar to the vetoed bid made by Banco Comercial Português for Banco Português do Atlântico, the second largest bank, in September.

The sale price is close to Es5,500 a share. BTA shares were indefinitely suspended at Es3,600 yesterday when rumours of the deal reached the market.

BTA's return to Portuguese control marks a political victory for the Lisbon government, which has pressed for the reduction of Banesto's stake to 25 per cent – the limit set for foreign holdings under the terms of BTA's privatisation, begun in 1989.

The deal is also a coup for Mr Champalimaud, who remade his fortune in Brazil after most of his assets, representing almost two-thirds of Portugal's industrial capacity, were nationalised.

Banesto is to sell both the 25 per cent of BTA it owns directly and 25 per cent it controls indirectly through two Portuguese lawyers. A six-month parliamentary hearing into the legality of the indirect stake proved inconclusive. But Banesto's sidestepping of Portuguese law has been an acute embarrassment for the government.

Banco Santander, which acquired control of Banesto in April to become Spain's largest banking group, described the sale as a rational business decision.

The sale has to be approved by the Portuguese authorities. But the finance ministry is believed to have informally approved the deal and bankers said Mr Champalimaud may have secured an exemption having to make an offer for 100 per cent of BTA.

FINANCIAL TIMES
Friday December 30 1994

González fails to quell fear of instability

'Dirty war' claims hit Spanish markets again

By Tom Burns in Madrid

Accusations of government involvement in a secret "dirty" war against separatist Basque terrorist sympathisers shook Spanish markets again yesterday, sending the peseta to an historic low against the D-Mark.

Increased fears of political instability drew Mr Felipe González, the prime minister, into giving a rare press conference, but he failed to settle market nerves. The Madrid Bolsa fell to its lowest level since the European currency crisis in the autumn of 1992.

Mr González, who is facing the most testing period of his 12 years in power, rejected allegations that his government had been involved in a shadowy death squad and said he had no intention of resigning or of calling early elections.

"There is a majority that prefers the stability that comes from serving out the full legislature," said the premier, who won a fourth successive four-year term in 1992, although he fell short of an overall majority.

But as a relaxed looking Mr González dug in his political heels, the Bolsa came under sharp selling pressure and its general index closed at 280.33 points, 3.26 points down on Wednesday. The index has lost nearly 6 per cent of its value since the government was rocked last week by allegations that linked it to an undercover war against Basque separatists in the mid-1980s.

Domestic fears hit Madrid
World stocks, Section II

The peseta, which had fixed at Pta84.64 against the D-Mark on Wednesday dropped to Pta85.20 before steadying to close at Pta84.94. The yield on the Treasury's 10-year bond was pushed up to 11.88 per cent from Wednesday's 11.72 per cent.

The government, which has been shaken by a string of scandals and corruption allegations this year, is highly embarrassed by a well-publicised legal probe into a group of mercenaries who fought members of the Basque Eta organisation in south-west France 10 years ago.

Three former security chiefs were remanded in custody last week in connection with the dirty war, and more indictments are likely.

Questioned over the death squad allegations, Mr González said his government had "acted strictly within the framework of the law in what was an extraordinarily difficult situation". He rejected opposition calls for his resignation as "out of the question".

Assurances of continued backing came from the Catalan nationalist leader, Mr Jordi Pujol, whose party has provided Mr González with a parliamentary majority over the past 18 months. In an interview with a Barcelona newspaper yesterday, Mr Pujol said the prime minister could count on his "wholehearted and firm support".

Second German nuclear plant cancels contract with Thorp

By Andrew Fisher in Frankfurt and David Lascelles in London

British Nuclear Fuels has received another setback after the decision by a second German nuclear power station not to send spent fuel to the Thorp reprocessing plant at Sellafield in north-western England. Further cancellations may be on the way.

RWE and Bayernwerk, the companies operating the 2,600MW Gundremmingen nuclear power station in Bavaria, wrote to BNFL last week informing it of their intention to end the present contract and use domestic storage facilities instead.

BNFL learned just before Christmas that the Krümmel power station in northern Germany was cancelling a contract with Thorp under pressure from the nuclear lobby.

Because of changes this year to Germany's nuclear legislation, permanent storage is now possible in Germany. This is much cheaper than the controversial reprocessing method, which produces plutonium.

A permanent storage facility is being built at Gorleben in the northern state of Lower Saxony.

Until the new site is completed, spent fuel from Gundremmingen, located on the river Danube, will be stored at Ahaus in the state of North Rhine-Westphalia (where RWE is based) and at interim facilities in Gorleben.

No details were available about the size or duration of the Gundremmingen's contract.

Bayernwerk said the companies were ending the contract before December 31 to save on cancellation penalties. Other German utilities may also cancel before this weekend for the same reason.

Since penalty payments do not apply to a similar reprocessing contract with Cogema of France, there is no need to end these now. But negotiations will take place with the French company.

The lost contract relates to the second 10 years of Thorp operation, from 2004 to 2014. BNFL had offered German utilities cancellation clauses after the law change.

BNFL had no comment on the cancellation last night. However, the company had been expecting to lose business ahead of the increase in cancellation penalties. It estimated it could lose 20 per cent of Thorp's orders in the second 10 years. This would not affect the plant's viability, which was based on revenues for its first 10 years.

The cancellation will hearten British environmentalists who opposed Thorp's construction and sought to have it cancelled during last year's government review.

Unisys cuts

Continued from Page 1

businesses to provide nearly half of the commercial revenue of Unisys in 1995," he said.

"As they become an ever larger part of the total company, the traditional infrastructure must be far more streamlined and efficient."

For 1993, Unisys reported net income of $565.4m on revenues of $7.7bn. For the first nine months of 1994, net income totalled $152.8m on revenues of $5.3bn.

Mexican economy plan

Continued from Page 1

extra funds if holders of government securities decided not to roll over their investments and demanded dollars over pesos. More than $10bn in dollar-denominated, short-term government securities called *Tesobonos* come due in the next three months.

Backing from the Group of Seven leading industrialised nations for Mexico's economic stabilisation plan would increase the likelihood that investors will remain in the market, thus reducing the need for an emergency injection of international capital.

Meanwhile, the central bank said it was preparing a package of "new and attractive" debt instruments to retain the participation of foreign investors.

Investors were also encouraged by signs that negotiations between the government and armed rebels in the southern state of Chiapas could begin soon.

US takes lead over Japan in vehicle output

By Kevin Done in London

The US has overtaken Japan this year to become the world's top motor vehicle producing nation for the first time since 1979.

According to data collated by Automotive News, the US weekly, vehicle production in the US has risen by 13 per cent this year to 12.28m from 10.87m in 1993.

Vehicle output in Japan has fallen by 2 per cent to 11m from 11.23m in 1993. Production in Japan has fallen for four years in succession under heavy pressure from the domestic recession and from declining exports.

New vehicle registrations in Japan have shown the first signs of recovery in recent months, but, for the full year, vehicle output has fallen to the lowest level for 12 years. Production peaked at 13.49m in 1990 after first overtaking the US in 1980.

In the US, vehicle production has risen rapidly during the past three years, matching the expansion in the domestic market.

Output dropped to 8.8m in 1991, the low point of the last recession. It has risen by 39 per cent in the past three years to reach this year's level, however, and is forecast to increase further next year to top the previous record level of 12.899m, set in 1978.

The new ascendancy of the US as the world's leading vehicle producer owes much to the restructuring of the world automotive industry over the past decade.

Japanese vehicle producers have contributed greatly to the shifting balance by transferring more production out of Japan during the past 10 years, first to North America, and more recently to Europe and south-east Asia.

General Motors, Ford and Chrysler, the big three US car producers, have restructured drastically to regain world competitiveness and their fortunes have revived, but their domestic position is under challenge.

About 15 per cent of US vehicle production is now coming from Japanese carmakers' plants – either wholly owned or in joint ventures – compared with nothing little more than a decade ago. Honda was the first Japanese vehicle maker to begin car assembly in the US in 1982.

Japanese vehicle makers now operate 11 assembly plants and three engine plants in North America, and Honda is the leading US car exporter.

Since the early 1980s, the Japanese have built in the US an auto industry larger than that of Britain or Italy or Spain.

With its improved competitiveness, the North American auto industry is becoming a growing force in world auto markets, albeit from a small base.

THE LEX COLUMN

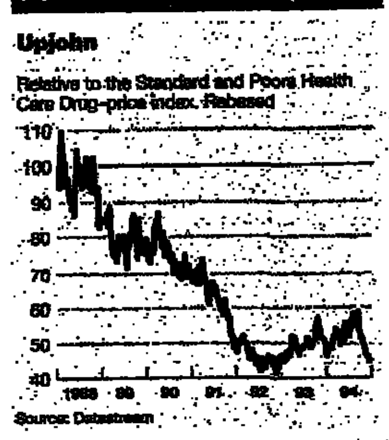
Prescription for takeover

Almost everything that could go wrong for Upjohn has gone wrong. Four of its top drugs, generating combined sales of more than $1bn, have lost US patent protection during the past two years. Its main hope for the non-prescription market, an anti-balding treatment called Rogaine, was refused a licence by the US Food and Drug Administration earlier this year.

Now, the most important drug in development, Freedox, a treatment from a class of drugs called Lazaroids – because they are meant to help stroke and head injury victims recover, as if from the dead – has proved a misnomer. Enrolment for a trial has been halted when it was discovered head injury victims were more likely to die taking the drug than an ineffective dummy medicine. At best the Freedox fiasco means a delay in the drug's approval. At worst it may never be launched.

Upjohn has a huge hole in its development pipeline, with nothing capable of replacing the sales from the drugs that have lost patent protection. The first inclination of Mr John Zabriskie, the youthful and recently appointed chairman and chief executive, will be to soldier on. But the company is now, more than ever, vulnerable to a takeover from a European drugs group. Much depends on the attitude of the Upjohn family, which still owns a significant stake. If the family has lost confidence in the present management, if it can wring guarantees from a predator about maintaining a substantial presence at the Kalamazoo headquarters, and if it waits for forthcoming US legislation on capital gains tax, Upjohn's future as an independent company is doubtful.

FT-SE Index: 3065.6 (-30.2)



Deutsche Bank

If ITT's sale of its financial services arm is in shareholders' interests, the reverse may be the case for Deutsche Bank, which is paying a net $900m for ITT Commercial Finance. True, Deutsche will be able to reap benefits from putting together its existing north American asset-based lending activities with those of the ITT subsidiary, and will gain access to thousands of new customers in north America and elsewhere in the world.

But the bank will also have to write off substantial goodwill following the acquisition. No figure for this has been disclosed, but analysts put it at $700m. The acquisition adds $3.75bn of receivables to Deutsche's balance sheet, but the net effect of the deal will be an appreciable deterioration in the bank's core, tier one capital ratio. Other recent acquisitions, both in Germany and abroad, have also involved a large goodwill element. Given the bank's reluctance to sell the bulk of its industrial holdings, the danger is that Deutsche will be obliged to turn to shareholders to restore its capital base.

Investors may be reluctant to contemplate this, as the strategy behind the acquisitions makes questionable sense. Recent purchases in Spain, Italy and now the US enhance the bank's position in these countries, but do not transform the bank's global competitiveness or its earnings power. The bank should consider pulling out of peripheral markets – especially in Spain and Italy – and concentrating its resources on developing a world-class investment banking operation.

Australia

Is Australia about to embark on another vicious boom bust cycle? With bond yields in excess of 10 per cent, investors appear to have reached their conclusions already. The chief worry is inflation, even though it is running below 3 per cent. Interest rates have been raised by 2.75 percentage points since mid-August and tax increases are in the pipeline, but this may not be enough to curb overheating. The drought has not prevented the economy growing at 5 per cent. The reliance on commodities, which account for more than 60 per cent of exports, limits the effectiveness of monetary or fiscal policy as a way of controlling economic growth.

Memories of the last recession may have contributed to an over-reaction. The current account deficit is a concern, but the drought has restrained exports, while import growth has been partially stimulated by capital equipment expenditure. This provides further evidence that industry has learnt from previous cycles, and is increasing investment to retain competitiveness. Inflation should peak at 5.5 per cent in late 1996, not enough to justify current bond yields. Industrial stocks already look undervalued on earnings estimates for the next two years. The Australian dollar is tied to commodity prices, and is likely to strengthen steadily. An excessive appreciation would, of course, erode industrial competitiveness in the longer term, but a strengthening dollar should attract overseas cash, providing further support for the markets. Shares, down 17 per cent since February, look over sold.

Derivatives accounting

Derivatives pose a challenge to those who devise accounting standards, not least because part of the *raison d'être* of complex financial instruments is to circumvent existing disclosure rules. But derivatives have the power to transform a company's risks – for little cash outlay – in a way which is not reflected in conventional historical cost accounting.

The UK's Accounting Standards Board, currently examining ways of improving financial reporting in this area, is thus right to tackle the issue. The ASB is likely next year to recommend increased disclosure so that users of accounts get more information about the risks taken on by the company. Thus, companies may be required to disclose the impact of fluctuations in exchange or interest rates on balance sheet ratios. Some groups release this information voluntarily now, as part of a review of treasury policy in the operating and financial review which forms part of a set of accounts. The ASB should go further, for example requiring companies to recognise unrealised gains and losses incurred on derivatives.

Given derivatives' inherent complexity, though, there is a danger that greater disclosure will sow confusion rather than understanding among users of accounts. But if the process of complying with such rules helps companies better to identify the risks they are letting themselves in for, neither management nor investors should complain.

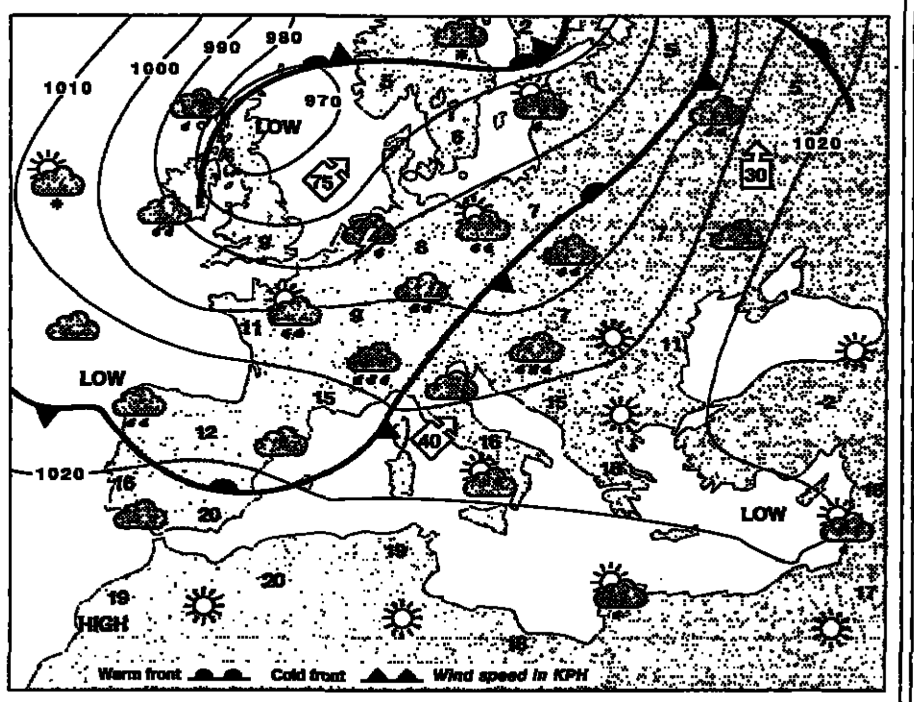
FT WEATHER GUIDE

Europe today

A deep low pressure system near Scotland will bring scattered showers to the UK, Ireland and the Low Countries with a risk of hail or thunder. South-westerly gales are expected from Ireland to Denmark. Central Europe will be mostly cloudy with rain and snow in the Alps. An active depression will cause long periods of rain in Portugal and north-west Spain with temperatures above 20C on the coasts. Snow is expected in central Scandinavia, but strong south-westerly winds will push moist and mild air accompanied by showers into southern Scandinavia. South-east Europe will be mostly sunny, but occasional showers are expected in Egypt and Libya.

Five-day forecast

Cold unstable air will be driven into western Europe as the low pressure system moves to southern Scandinavia. Snow and hail showers are expected from Ireland to Germany, with temperatures barely above freezing. The Alps will have a lot of snow and Spain will continue to have periods of rain. Rather unsettled conditions are expected in south-eastern Europe and Italy with outbreaks of rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	0	Caracas	fair	30	Faro	cloudy	19	Madrid	drzzl	11	Rangoon	fair	31
	Celsius		Belfast	rain	7	Cardiff	shower	9	Frankfurt	cloudy	9	Majorca	fair	16	Reykjavik	cloudy	-6
Abu Dhabi	sun	26	Belgrade	fair	10	Casablanca	cloudy	19	Geneva	rain	10	Malta	fair	17	Rio	cloudy	30
Accra	fair	31	Berlin	shower	9	Chicago	cloudy	2	Gibraltar	cloudy	19	Manchester	rain	9	Rome	fair	16
Algiers	fair	20	Bermuda	cloudy	21	Cologne	shower	8	Glasgow	rain	8	Manila	fair	30	S. Frsco	cloudy	12
Amsterdam	shower	9	Bogota	cloudy	20	Dakar	fair	28	Hamburg	shower	7	Melbourne	sun	23	Seoul	drzzl	4
Athens	sun	16	Bombay	fair	31	Dallas	rain	15	Helsinki	drzzl	4	Mexico City	fair	23	Singapore	cloudy	32
Atlanta	cloudy	8	Brussels	shower	8	Delhi	fair	26	Hong Kong	cloudy	22	Miami	fair	27	Stockholm	cloudy	4
B. Aires	fair	31	Budapest	rain	6	Dubai	fair	26	Honolulu	shower	27	Milan	rain	6	Strasbourg	shower	11
B.ham	drzzl	9	C.hagen	shower	6	Dublin	hail	8	Istanbul	sun	11	Montreal	fair	-11	Sydney	sun	24
Bangkok	fair	34	Cairo	shower	17	Dubrovnik	fair	15	Jakarta	fair	31	Moscow	rain	5	Tangier	shower	18
Barcelona	cloudy	16	Cape Town	sun	29	Edinburgh	cloudy	7	Jersey	shower	11	Munich	rain	8	Tel Aviv	shower	18
									Karachi	fair	28	Nairobi	cloudy	26	Tokyo	fair	10
									Kuwait	cloudy	19	Naples	fair	16	Toronto	fair	-3
									L. Angeles	sun	16	Nassau	fair	27	Vancouver	rain	6
									Las Palmas	fair	23	New York	fair	2	Venice	drzzl	7
									Lima	cloudy	25	Nice	cloudy	14	Vienna	rain	8
									Lisbon	rain	17	Nicosia	fair	17	Warsaw	rain	9
									London	shower	10	Oslo	sleet	1	Washington	fair	5
									Lux.bourg	shower	6	Paris	shower	10	Wellington	fair	17
									Lyon	rain	13	Perth	fair	33	Winnipeg	snow	-11
									Madeira	cloudy	22	Prague	shower	9	Zurich	rain	8

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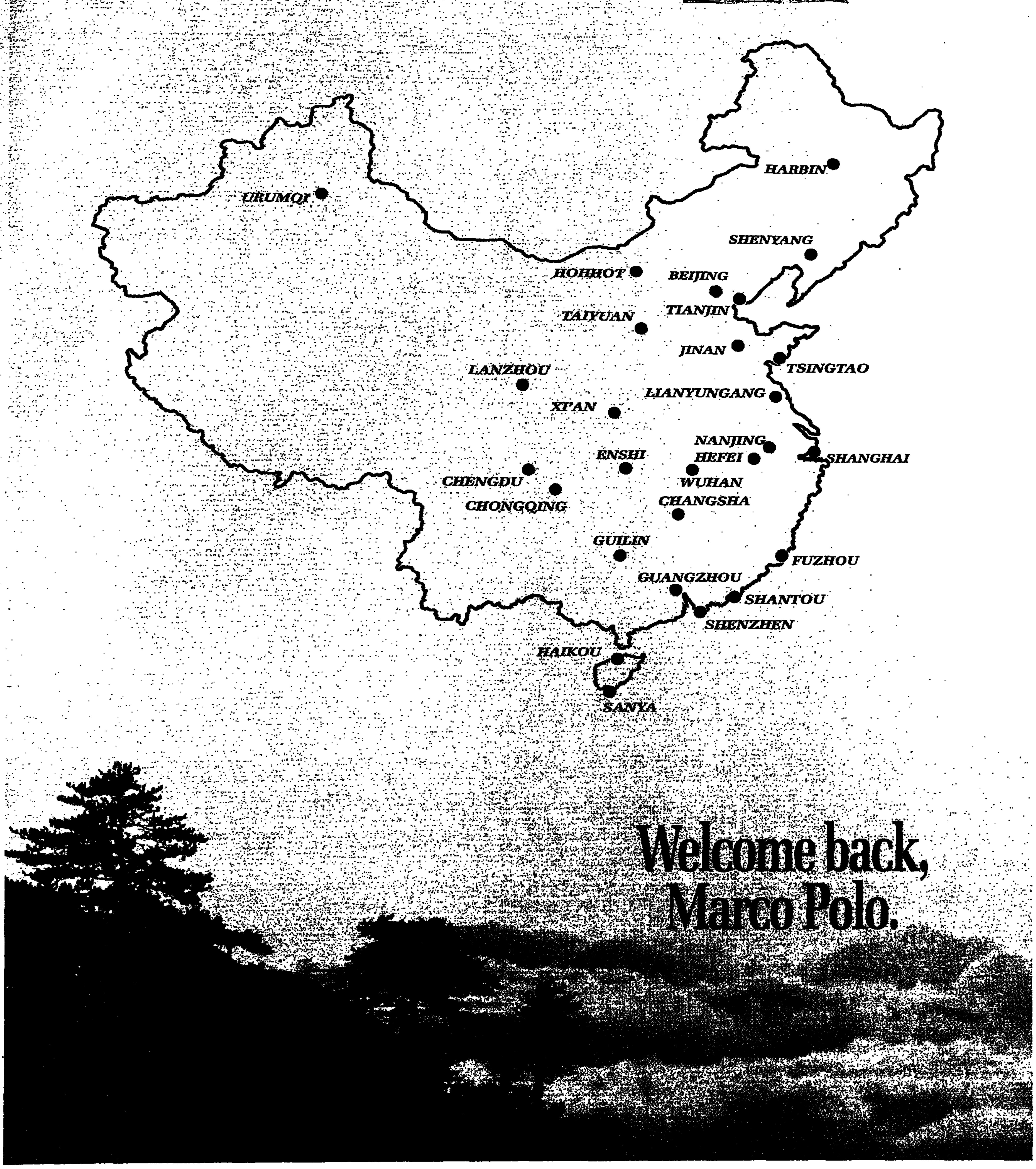
Signal



Bull recovers at operating level

By John Ridding in Paris

Groupe Bull, the French computer manufacturer in the process of being privatised, has achieved its aim of returning to profit at the operating level, according to Mr Jean-Marie Descarpentries, chairman.

Addressing a shareholders' meeting yesterday, he said he expected an operating profit of between FFr100m and FFr300m ($18.3m-$55m) for 1994, compared with a loss of FFr1.8bn in 1993.

Mr Descarpentries said the turnround reflected the restructuring and cost-cutting measures implemented over the past year, and that the company should break even at the net level by the middle of 1995.

The improvement in results follows a protracted period of significant losses during which Bull has accumulated a net deficit of FFr20bn since 1989. The weak financial performance pushed the French government to seek privatisation through the formation of industry partnerships rather than through a public offer for shares.

Potential bidders for stakes in Bull, which are thought to include NEC of Japan, are examining the company before making a binding final offer. The privatisation is scheduled to be completed before next spring's presidential elections.

Mr Descarpentries said the improved prospects for the group should allow a flotation of shares after privatisation. He said this could involve between 10 and 20 per cent of the equity in the company and would require the agreement of its leading shareholders.

According to the Bull chairman, the recovery in results reflected a series of factors, including a sharp reduction in costs. He said that non-salary costs had been cut by FFr1.25bn in 1994, and that further reductions would be made in 1995 and 1996.

The group also benefited from a sharp improvement at Zenith Data Systems, its personal computer division. Mr Descarpentries said ZDS, which has a strategic alliance with Packard Bell of the US, had returned to profit at the operating level in the final quarter of the year.

Green light for Cariplo in Rolo bid

By Robert Graham in Rome

The Bank of Italy has given the go-ahead for the L3,291bn ($2bn) bid for Credito Romagnolo (Rolo), the Bologna-based commercial bank, launched by a consortium headed by Cariplo, Italy's largest savings bank.

The bid still requires the approval of Consob, the stock exchange watchdog, but this is unlikely to be withheld.

The main issue is whether Credito Italiano, the recently-privatised bank that initiated a takeover battle for Rolo, will raise the stakes. Credito has already improved its original offer, but it is still 18 per cent below that of Cariplo.

The consortium led by Cariplo is made up of IMI, the partly privatised banking institution; Carisbo, the regional savings bank covering the Emilia Romagna region; and Reale Mutua, the insurance group. The bid, launched just before Christmas, is for 70 per cent of Rolo's equity and would leave Cariplo with 52 per cent of the shares at an anticipated cost of L2,400bn.

The official prospectus is likely to be released early next week, probably on January 3.

Analysts believe Credito would find it difficult to improve the Cariplo offer on its own. However, they consider it still possible for allies to be brought in to help capture the prize of one of Italy's most profitable regional banks.

Fokker moves to arrest share fall

By Ronald van de Krol in Amsterdam

Shares in Fokker, the Dutch aircraft manufacturer, fell heavily yesterday after a series of negative domestic media reports, but recovered strongly towards the close of trading as the company repeated that it was working on a new cost-cutting campaign.

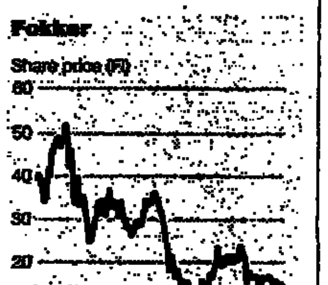
In early trading, the shares fell by more than 15 per cent, to Fl 10.20 from Fl 12.10 on Wednesday. Dutch television on Wednesday night reported that management consultants believed the company's high costs made it uncompetitive, raising the possibility of plant closures. A Dutch newspaper said job losses might be as high as 1,000, while union officials said they were expecting proposals for more than 500 job cuts.

However, the shares recovered after the company dismissed the reports of 1,000 further job losses and plant closures as premature speculation. It reiterated its intention to draw up a new cost-cutting plan by the end of February. It also said the management consultants' report was based on out-of-date figures.

Fokker's shares closed yesterday at Fl 11.80, down 2.5 per cent from Wednesday.

In mid-December, the shares fell to a 1994 low of Fl 9.50 after the company revised earlier forecasts of lower losses and said the deficit this year would be around the record Fl 460m ($261.4m) incurred in 1993.

The company has blamed the decline of the dollar and downward pressure on the selling price of aircraft for its failure to pare losses this year.



Athena suppliers seek legal advice

By Raymond Snoddy in London

Creditors of Athena, the poster and card retailer forced into administrative receivership by its parent Pentos, were yesterday seeking legal advice about the legality of the action.

Mr John Allan, a director of Bod Prods, a Sheffield-based supplier of novelty stationery, said his company was owed £75,000. He said he always understood he was dealing with Pentos, and he only agreed to supply Athena after a £45m ($69.6m) rights issue came through for Pentos earlier this year.

Mr Allan's company supplied children's stationery decorated with spiders and slugs. Mr Allan, who received an urgent fax from Athena on December 19 for further supplies worth £25,009, said last night he was told by receivers Grant Thornton that he would not get any of his money. He said that in 16 years in business he had never before had a bad debt of more than £5,000.

Mr Chris Marler of Davy Marler, another supplier of novelty stationery, said his company was owed £60,000. He said last night he knew there was a degree of risk but thought that Pentos would stand behind Athena.

Pentos, whose main company is Dillons the booksellers, said on Wednesday the board had decided it should not inject further funds into Athena's UK business because there was no prospect of its returning to profit in the foreseeable future.

Earlier this week, Pentos had changed the name of the Athena subsidiary from Pentos Retailing Group to Athena Holdings. The directors of the latter then called in the receivers.

Mr Bill McGrath, Pentos chief executive, said in an interview on Wednesday "We couldn't give it [Athena] away." Mr Marler said yesterday: "To ringfence a bit of the business like this is morally reprehensible."

Pentos declined to comment yesterday.

First Choice tones down German alliance

By David Blackwell in London

First Choice, the UK holidays group, yesterday scaled down its strategic alliance with Germany's Westdeutsche Landesbank, which controls a 21 per cent stake in it.

The group also announced that Mr Wolfgang Trube, chief executive of a WestLB subsidiary, would be joining the board as a non-executive director. He will replace Mr Christopher Rodrigues, chief executive of Thomas Cook, which is 90 per cent owned by WestLB.

Thomas Cook bought the 21 per cent stake in First Choice, formerly known as Owners Abroad, last year, helping First Choice to defeat a hostile takeover bid from Airtours, a rival tour operator.

The Owners Abroad management at the time expected substantial savings to follow through co-operation with LTU, the German travel company 34 per cent owned by WestLB.

First Choice will retain its retail agreement with Thomas Cook, but will end attempts to realise economies through links with LTU. Mr Trube's task will be to monitor WestLB's investment and to provide an informal channel for links with LTU.

"I think it's a new start," Mr Francis Baron, First Choice chief executive, said yesterday. "It's a new start on a very pragmatic, business-oriented basis, aiming to secure benefits for all our shareholders."

Dr Johannes Ringel, chairman of Thomas Cook and a member of the WestLB board, said that WestLB remained "committed and supportive shareholders and believe that the company has a bright future."

The alliance always promised far more than it delivered. At the same time the management structure of First Choice changed out of all recognition.

Shortly after defeating the Airtours bid, the chairman and managing director of Owners Abroad resigned after disclosing that full-year profits would be only half of market expectations.

SCA sells clothes-making division to William Baird

By Hugh Carnegy in Stockholm

SCA, the Swedish forestry products group, said yesterday it had agreed to sell a clothes-making unit to William Baird, a UK clothing producer. It is the second strategic move announced this week by SCA's biggest subsidiary, Mölnlycke.

Melka-Tenson, which makes leisure wear at three manufacturing plants in Portugal, is to be sold at a price "slightly above" its net book value, which stands at about SKr185m ($24.7m).

Turnover this year is set to reach SKr720m, and SCA said the price represented a multiple of six times operating profit.

William Baird, with annual sales of about £500m ($773.5m), produces chiefly for the UK market. It said it intended to keep Melka-Tenson as a separate unit within the Baird group, and maintain its present management.

The sale is a significant step in a restructuring programme at Mölnlycke, a company with annual sales of SKr15bn, to focus on and strengthen its core operations in absorbent materials, tissue and clinical products. As well as disposing of Melka-Tenson, Mölnlycke is looking to sell its toiletry division.

Mölnlycke's biggest operations are in so-called "fluff products", making disposable baby nappies, adult incontinence products and feminine hygiene products. It runs second to Procter & Gamble in European market share for nappies. It is also a world leader in adult incontinence products and Europe's second largest manufacturer of sanitary towels.

Fierce competition in baby nappies forced Mölnlycke earlier this month to launch a SKr1.3bn programme of cost-cutting and reinvestment in order to sharpen its competitiveness and stem a drag on group profits.

On Wednesday, Mölnlycke said it was spending SKr400m on buying up the balance of Scott Health Care, a 50-50 joint venture with Scott Paper in the US which makes adult incontinence products in the US and Canada.

Swissair criticises Air France

By Ian Rodger in Zurich and John Ridding in Paris

Swissair, the quoted Swiss carrier, said Air France's partial ownership of Sabena was hindering its plans to buy a large minority stake in the Belgian national airline.

"A continuation of Air France's involvement would appear to make little sense," Mr Paul Müller, a Swissair director, said in the latest issue of the employee publication Swissair News.

Swissair said yesterday that current negotiations depended on Air France. "If they decide to keep their shares, then we will have to discuss a new situation," it said.

Air France owns two-thirds of Finacta, a holding company which has a 37.5 per cent stake in Sabena. It has been reluctant to dispose of its investment in the Belgian carrier.

However, industry observers believe that Mr Christian Blanc, chairman of Air France, may be leaning towards a sale or reduction of the stake.

"It would be difficult for Air France to muster any further capital for Sabena, given its own need for financial resources," said one airline industry analyst.

Swissair also denied a report in a Belgian newspaper that it was seeking a 75 per cent stake in Sabena.

It said its aim in associating with Sabena was to obtain influence over an operating entity within the European Union and thereby strengthen its competitive position in Europe.

As Switzerland is unlikely to join the EU in the foreseeable future, Swissair faces possible discrimination on EU routes. Its existing co-operation with Austrian Airlines is helpful but insufficient.

"Expanding our group of hubs – Zurich, Geneva and Vienna – to include the capital of Europe would do much to alleviate this serious shortcoming," Mr Müller said.

Swissair has not said how large a stake it is seeking in Sabena, but there has been speculation that it would be as much as 49 per cent.

EA-Generali maintains dividend

By Ian Rodger

EA-Generali, Austria's second largest insurance group, said its premium income rose 7 per cent in 1994, to Sch36.5bn ($3.3bn), and reaffirmed its intention to maintain its 15 per cent dividend.

EA-Generali is 80 per cent-owned by Assicurazioni Generali of Trieste and operates in Austria, Germany, Hungary and the Czech Republic for Generali.

The Vienna-based group said premium income of its five Austrian primary insurance subsidiaries rose 10 per cent to Sch23.7bn, and its four German subsidiaries showed similar growth, to Sch10.5bn.

Premium income of the two Hungarian subsidiaries was up 11 per cent to Sch1.6bn, while operations in the Czech Republic were in a start-up phase.

Reinsurance revenues from third parties fell 40 per cent to Sch800m following the group's decision to concentrate on internal business.

Earnings per share were expected to rise from Sch105 in 1993 to Sch108.

Mr Dietrich Karner, chief executive, said the group was satisfied with its results.

RJB ends 48 years of nationalised coal

By Peggy Hollinger

The age of the nationalised coal industry came to an end early this morning, almost 48 years to the day after the government first took control of Britain's collieries.

At one minute past midnight, RJB Mining became the owner of by far the largest part of British Coal: its 15 operational English mines.

The deal will make Mr Richard Budge, RJB's chief executive who has been criticised for the assumptions used to back his company's bid price, some £50,000 richer. His contract allows for this bonus to be paid on completion of the deal, as well as further profit performance payments of up to 100 per cent of his basic £290,000.

RJB's shareholders approved the takeover at an uneventful and sparsely attended EGM in London yesterday. Investors have already put up £400m towards the £815m purchase price; the balance will be funded with debt.

Mr Budge said he had no plans for substantial changes to the mines or to the employment conditions of the 7,100 miners he was taking on. Previous management had already got the business "down to the operational levels it should be at", he said. Furthermore, the enlarged company would be able to cut 5 per cent from British Coal's operating costs almost immediately.

British Coal's Scottish assets were transferred yesterday to Mining (Scotland) for £49m. Celtic Energy, which is purchasing the Welsh mines, is expected to conclude the transfer today, leaving British Coal with only non-mining assets to unwind. The deals end a five-year journey to privatisation.

The National Coal Board was set up on January 1 1947 to own and operate Britain's mines as an early part of the incoming Labour Party's programme to nationalise basic industries. It was a Conservative government under Mrs Margaret Thatcher which decided in 1989 to reverse the process.

Memories of the bitter miners' strike of 1984 – and public sympathy for the mining communities – were still vivid when the government announced the wholesale closure of 31 of its 50 pits in advance of privatisation. The justification was that demand had dropped substantially and and productivity improved, leaving little other option. Public outcry forced a compromise with the immediate closure of just 10 mines.

In the end British Coal closed 34 pits, some of which have since been reopened by private operators, including Mr Budge. Sixteen operating pits are being transferred to private ownership today.

Trevor Humphries

Richard Budge (left) with Bill Rowell, director of deep mining

Banco Bilbao Vizcaya edged out in bid for Spain's mobile telephony system

Santander snatches cellular phone licence

By Tom Burns in Madrid

Banco Santander has delivered a second blow to Banco Bilbao Vizcaya, its chief domestic banking rival, in a little over six months.

In late April it beat BBV in a public auction to acquire Banco Español de Crédito Banesto, and now a Santander-backed consortium has edged a BBV-led group out of the contest to develop a nationwide mobile telephony system.

The result of the contest for Spain's second GSM (global system of mobile communications) licence the first is reserved for the government's Telefónica also saw AirTouch, the US cellular operator, and British Telecommunications, the technological partners of the winning Airtel-ASR consortium, defeat the UK's Vodafone, part of BBV's competing group.

BBV's humiliation is considerable. In addition to Santander, Airtel counts among its main shareholders Banco Central Hispano, a second big bank competitor and one that had stood aside from the Banesto bidding process.

Determined not to be thwarted a second time, BBV's Cometa-SRM consortium had made a bigger cash bid for the cellular licence, offering Pta89bn (£432m) against the Pta85bn from Santander and its fellow Airtel shareholders. In April Santander took the Banesto prize when its sealed bid offered Pta762 per Banesto share against BBV's Pta667.

With its acquisition of Banesto, Santander put itself ahead of BBV in the size of its branch network and in the volume of deposits, mutual funds and loans to become the largest domestic banking group. BBV, which has traditionally maintained a high industrial investment profile, had sought to even the score by taking on the mobile telephony business.

In the event, the cash offer by BBV and its fellow Cometa partners was not enough to obtain the GSM licence. The competing consortia were also required to make a series of undertakings covering industrial investment, job creation and research and development, and the bids were awarded points under a complex adjudication system drawn up by the government and Lehman Brothers, the US bank.

Full details of the two bids to develop what represents one of largest single investment project to date in Spain will be released to parliament next month but Mr José Borrell, the telecommunications minister, said Airtel's bid had totalled 447.30 points out of a possible 600 against Cometa's 432.67.

Mr Juan Berberena, banking analyst at AB Asesores, the Madrid securities house, said BBV's failure to win the GSM licence was "a psychological blow" that weakened its image but added that its defeat could turn out to be a blessing in disguise. "The GSM business is potentially very profitable but it represents a huge investment effort which will have to wait three to five years to see any returns," he said. "BBV was making a very large bet and carrying a very big implicit risk."

A key difference between the two competing consortia was that Cometa's financial burden was squarely placed on BBV, which had a 29.8 per cent stake in the consortium, as well as on Vodafone, which had a stake of 23 per cent, whereas the equity at Airtel is more widely distributed.

Santander has only 13.5 per cent of Airtel and it has syndicated this equity to a 13.5 per cent shareholding in the consortium owned by BCH. Airtel's spread of financial backers is further increased by a 16.7 per cent stake that is jointly held by a group of five regional savings banks.

Analysts say Airtel's financial partners will stand it in good stead as it embarks on investments that could total Pta200bn. Under the terms of the tender the consortium has to provide GSM's pan-European digital network to all towns of more than 10,000 inhabitants within five years.

The Spanish licence rounds off an acquisitive year for AirTouch, which has a 16 per cent stake in Airtel (BT has 7 per cent) and will be its dominant technological partner. The US operator entered the cellular markets in Germany, Portugal and Sweden in 1992 and those of Belgium, Italy and Spain this year.

Airtel will share with Telefónica a Spanish GSM market forecast to have 2m users and a turnover of Pta206bn by 1998. "Telefónica will have to beef up its marketing – in AirTouch and BT it will be facing two experienced and tough competitors in the cellular environment," said Mr Jonathan Lee, telecommunications analyst at James Capel, the London broker.

Compensation for Brockbank underwriter

Shareholders in Brockbank, the Lloyd's managing agency, are expected today to approve payment to the group's lead underwriter of £1.88m compensation plus 500,000 new shares for cancelling a profit-sharing deal, writes Ralph Atkins.

The package is being offered to Mr Mark Brockbank as the group seeks shareholder approval to demerge its Lloyd's members' agency interests. Some of the companies concerned face legal claims by lossmaking Names.

Under the original contract, Mr Brockbank, who owns about 18 per cent of the group, received 15 per cent of the net profit commission retained by the managing agencies. Brockbank said it now wanted to set up a new bonus pool for key staff.

Brockbank's shares, which trade under Rule 4.2, currently stand at about 200p.

Jardine sets sail for Singapore

The Hong Kong market is losing two of its oldest listings. **Louise Lucas and Simon Holberton report**

Hong Kong's stock market today loses two of its biggest and oldest listings, Jardine Matheson and Jardine Strategic Holdings.

Up to 85 per cent of trading in Jardine Matheson stock has passed through the Hong Kong stock exchange, with London absorbing the remainder.

Jardine, listed in Hong Kong in 1961, hopes the share trading in Hong Kong will shift to Singapore, where the company has arranged to facilitate it. If the arrangements work – including paying the cost shareholders incur in moving share registration from Hong Kong to Singapore – the transfer of trading will have a big impact on the Singapore bourse.

Jardine Fleming Securities, the brokerage owned equally by Jardine Matheson and Robert Fleming, the UK merchant bank, estimates Jardine Matheson will be the fourth biggest stock in Singapore by market capitalisation and the second most liquid stock.

The defection of Jardine Matheson, which accounts for about 1.66 per cent of the stock market's capitalisation, and Jardine Strategic, the investment arm, which is also the linchpin in a protective crossholding with Jardine Matheson, is the culmination of a decade-long tussle with the colony's securities' regulators.

In spite of protestations from Jardine directors, it has also been seen as a vote of no confidence in the post-1997 future of Hong Kong.

The saga began on March 28 1984, when the group said it was moving its domicile from Hong Kong to Bermuda.

Jardine thought this would put it beyond the reach of Hong Kong regulators. The creation of the Securities and Futures Commission following the 1987 stock market crash changed that. The SFC's power to regulate the company – especially in takeovers – prompted it to seek other ways to avoid Hong Kong regulation.

This included moving the primary stock exchange listing to London in 1991, and then, in 1993, getting the authorities in Bermuda to enact a takeovers code – based on London's – that applied only to the Jardine group.

An attempt this spring to persuade the Hong Kong government to accept the latest "Bermuda solution" fell at the first hurdle.

Ironically, the SFC still claims the power to regulate the company. Its powers extend to companies whose principle business and management is in Hong Kong. About 60 per cent of Jardine Matheson's earnings came from Hong Kong and China in 1993 which will remain the principal source of earnings in the medium term.

The SFC took comfort from a decision this month by the FT-Actuaries World Indices policy committee to retain the Jardine group in the Hong Kong section of the FT-AWI indices. Morgan Stanley took a different view.

This month, Morgan Stanley Capital International restructured its Hong Kong index to reflect the delisting of the Jardine group by deleting Jardine Matheson, Dairy Farm, a worldwide retailer, Hongkong Land, the property investment company which has a stake in Trafalgar House, and Mandarin Oriental, the hotels group.

Jardine Matheson directors estimate 80 per cent of its stock is held by overseas institutions, the vast majority of whom will not be obliged to sell their holdings.

Additional Interest Statement
The Walt Disney Company

U.S. $400,000,000
Senior Participating Notes Due 1999

☒ Quarterly Statement — Dated: December 30, 1994
for the period from July 1 to September 30, 1994 (the "Period")

☐ Semiannual Statement
for the period from February 28, 19__ to August 31, 19__ (the "Period")

☐ Annual Statement
for the period from September 1, 199_ to August 31, 199_ (the "Period")

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of The Walt Disney Company (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

This Statement is accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10043, Attention: Corporate Trust Department; telephone: (212) 412-6214. If this Statement is an Annual Statement, it is also accompanied by a Supplemental Audit Report of the Company's independent public accountants. In this Statement, references to "$" are to United States dollars.

1. Names of Eligible Films included in the Portfolio:
   a. For the Period: N/A
   b. From the Issue Date through end of Period: A Muppet Christmas Carol; The Cemetery Club; The Adventures of Huck Finn; Indian Summer; Guilty As Sin; Life With Mikey; What's Love Got To Do With It; Son-in-Law; Hocus Pocus; Another Stakeout; My Boyfriend's Back; Father Hood; Joy Luck Club; Money For Nothing; Cool Runnings; Three Musketeers; Sister Act II; Cabin Boy; Iron Will
2. Names of short subjects to which any portion of Total Revenues has been allocated:
   a. For the Period: N/A
   b. From the Issue Date through end of Period: N/A

	For the Period:	From the Issue Date through end of Period:
3. Aggregate Negative Costs of Eligible Films in the Portfolio	$322,000	$437,667,000
4. The Portfolio Amount	$0	$400,000,000
5. Aggregate Domestic Theatrical Rentals of Eligible Films in the Portfolio*	$735,857	$193,556,857
6. Calculation of Contingent Interest:		
Total Revenues	$105,921,517	$620,219,220
Distribution Fees	(18,538,266)	(108,538,364)
Estimated Third Party Participation Payments**	(5,296,076)	(31,010,961)
Residuals	(4,432,712)	(6,246,129)
Short Subject Revenues	0	0
Eligible Film Revenues	$77,656,463	$474,423,766
Base Amount	0	(800,000,000)
Eligible Film Revenues in Excess of Base Amount	0	0
	x50%	x50%
Contingent Interest	$0	$0
7. Contingent Interest paid per $1,000 principal of Notes	$0	$0

* Domestic Theatrical Rentals of Eligible Films in the Portfolio are adjusted on a pro rata basis in the same manner as Eligible Film Revenues are prorated pursuant to the Notes.

** Actual Third Party Participation Payments are used with respect to the Final Interest Payment.

	For the Period:	From the Issue Date through end of Period:
8. Supplemental Interest	N/A	N/A
9. Provisional Interest	N/A	N/A

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

☒ No Default
☐ Yes: Description:

The Walt Disney Company
By /s/ Edward M. Philip
Title: Director of Corporate Finance

This announcement appears as a matter of record only

The Bangkok Bank of Commerce Public Company Limited

US$90,000,000

Floating Rate Notes due 2000

Arrangers / Managers

Burgan Bank (S.A.K.) Kuwait
KEB (Asia) Finance Limited
Korea First Finance Limited
L.F.C. Far East Ltd / London Forfaiting Company PLC
Sanwa International Finance Limited
Standard Chartered Asia Limited
Sumitomo Finance (Asia) Limited

Fiscal and Paying Agent

London Forfaiting Asia Limited

Issue Co-ordinator

L.F.C. Far East Ltd

December 1994

NEWS DIGEST

Finland gives the go-ahead for Neste flotation

The Finnish government yesterday gave the go-ahead for a share issue by Neste, the state-owned oil and petrochemicals group, which is likely to be Finland's largest privatisation to date, writes Hugh Carnegy in Stockholm.

As the 97 per cent shareholder in Neste, the government's approval was the vital factor at a special shareholders' meeting held to approve the company's plans to issue for subscription during 1995 a maximum of 18m new shares, equivalent to a 20 per cent stake in the group.

Some estimates have valued Neste, which had sales of FM33bn in the first eight months of the year, at FM10bn ($2.09bn).

Oriental Press earnings slip 15% in first half

Oriental Press Group, Hong Kong's biggest newspaper publisher, suffered a 15 per cent fall in first-half earnings to HK$216.6m (US$28m) from HK$307.5m a year earlier, writes Simon Holberton in Hong Kong. Turnover rose 13.5 per cent to HK$815.6m from HK$717.5m.

An unchanged interim dividend of 10 cents a share is declared.

The company said all its businesses had put in a good first half, suggesting most of the problems came from its new English-language daily, Eastern Express, which continued to suffer large losses.

Mr Ma Ching Kwan, Oriental's chairman, hoped break-even would soon be reached and that "the paper will become a channel for the group to enter into the competitive international media market".

Valeo, Siemens link in automotive components

Valeo of France and Siemens of Germany are to merge their operations in the growing market for automotive heating and air conditioning systems, writes Kevin Done, Motor Industry Correspondent.

The venture is a significant move in the restructuring of the European automotive components sector, creating an alliance between two of the industry's leaders.

Valeo, the leading French automotive components maker, planned to take an initial 75 per cent stake in the venture, which would integrate the heating and air conditioning systems activities of the two companies. Siemens will have an option to increase its stake to 30 per cent.

The venture, which is expected to have annual sales of about FFr4.2bn ($772.3m), should begin operations in the first quarter of 1995.

In a related deal, Siemens is to take a 70 per cent stake in Valeo's electric motors business for climate control applications.

Nestlé's US takeover cleared by the FTC

The US Federal Trade Commission has settled charges that the acquisition by Nestlé Food, a unit of Nestlé, the world's largest foods group, of Alpo PetFoods would end US competition between the two big cat-food makers, Reuter reports from Washington.

The FTC said concerns that a lack of competition would lead to higher prices were resolved when Nestle' agreed to sell its Fort Dodge, Iowa, manufacturing plant to another company that would operate it in competition with Nestlé.

The Glendale, California, unit of the Swiss company plans to buy Alpo, a subsidiary of Grand Metropolitan of the UK, for $510m.

Unilever in deal with Indian ice cream group

Unilever, the Anglo-Dutch conglomerate, has linked with the Kwality Icecream group, India's largest ice cream manufacturer, to produce and market ice cream under the Kwality Wall's brand name, writes Shiraz Sidhva in New Delhi.

The agreement, signed by Brooke Bond Lipton India, a Unilever subsidiary, and three of four families which own Kwality, is part of Unilever's strategy to enter India's growing food processing industry.

The three parties to the deal, which cover two-thirds of the country and account for 85 per cent of the national volume sold by the Kwality group, will make ice cream for Brooke Bond, which will market the product.

Brooke Bond Lipton India, which has a substantial presence in the country, took over the Dollops ice cream business and marketing system from Cadbury India, before launching Wall's, the international ice cream brand, in India early this year.

Gilts fall as traders switch into bunds

By Martin Brice in London and Lisa Bransten in New York

UK government bond prices fell almost 2 points yesterday after investors switched out of gilts into bunds.

One trader attributed the volatility to the thin volume of trading. The December long gilt future fell 1⅜ to around 100⅞ in late trading, and the spread over bunds widened out to about 123, from 105 in the morning.

GOVERNMENT BONDS

There were market rumours that US hedge funds had placed large sell orders yesterday.

Talk that gilts had fallen on increased worries over inflation after prime minister Mr John Major had promised tax cuts was dismissed.

■ US Treasury prices were mostly flat yesterday morning as the dollar bounced back from Wednesday's lows.

At midday, the 30-year government bond was down ⅛ at 96⅛ yielding 7.834 per cent. At the short end of the market, the two-year note fell ⅛ at 99⅝, yielding 7.707 per cent.

Commerce department data showed the index of leading economic indicators up 0.3 per cent for November, slightly above most economists' projections.

Bond prices had support from a rising dollar.

■ German government bonds slipped in line with Treasuries, and the March bund futures contract on Liffe fell by around 0.96 on the day to 88.79 in late trading.

A fall in bund yields is expected in 1995, writes Conner Middelmann

Germany heads for calmer waters

OUTLOOK 95

After a stormy year, German government bonds are likely to enter calmer waters in 1995. However, the new year will not be all plain sailing, with economic expansion gathering speed and expectations of interest rate increases growing. Indeed, although most market analysts predict a decline in bund yields during the year, many expect them to be little changed at the end of 1995 from their current levels.

German government bonds, or bunds, began 1994 in a buoyant mood, boosted by hopes of further interest rate cuts which had underpinned the market throughout 1993. Amid this climate of optimism, the yield on the benchmark 10-year bund reached its lowest point at 5.5 per cent in early January.

Then things turned sour. First, the US Federal Reserve raised interest rates in February, fuelling fears of inflation and monetary tightening even in those countries whose economies were clearly behind the US cycle.

This was followed by a rapid unwinding of speculative positions by leveraged bond market players, most of whom had bet on a continuation of the previous year's bull run.

In Germany, alarming money supply numbers – with January M3 data, released on March 2, showing a growth rate of 20.6 per cent – sent further shudders through the market on fears that, far from continuing its rate-cutting campaign, the Bundesbank would start raising rates.

By early October, the yield on the 10-year benchmark reached its year's high of 7.77 per cent.

Although bunds recovered some of their losses in the final months of the year, helped by a more stable US Treasury market and a resumption of bund purchases by domestic retail and institutional investors, they remain vulnerable to weakness in the US market and fears of reviving inflationary pressures.

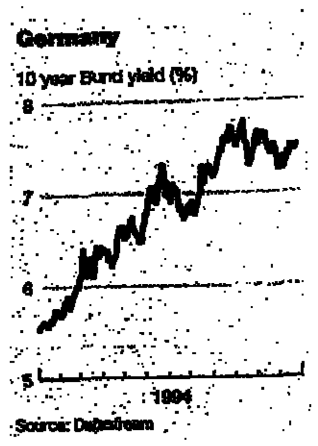
While Bundesbank officials have been emitting a stream of cryptic statements indicating that they are keeping their options open on the future direction of monetary policy, most observers now feel that, although both inflation and M3 money supply growth are near or at the Bundesbank's stated targets, the only way for German official interest rates is up.

"In the face of stronger 1994 growth and the higher inflation risk in 1995 and 1996 associated with that growth, we now feel that there is no scope or necessity for the Bundesbank to ease headline rates further in this cycle," said Mr Richard Reid, chief economist at UBS in Frankfurt.

Inflation in December stood at 2.7 per cent, compared with the central bank's 2 per cent goal, and M3 in November fell to 6 per cent, the top of its 4-6 per cent target range. But although inflation is expected to decline further in the first half of 1995 – helped by a substantial base effect improvement in January – and M3 may remain in its target range after overshooting it for most of the last three years, there is evidence to suggest that inflation pressures are rising.

"The output gap is virtually closed, capacity utilisation and pipeline inflation measures are rising and economic growth is strong," warn analysts at IBJ International.

Moreover, recent positive M3 numbers should be taken with a pinch of salt, distorted as they are by Germany's new money market funds.



Some DM19.5bn has flowed into these funds between August and November; if this money had remained in the banking system, November M3 would have been around 6.9 per cent, rather than the reported 6 per cent.

However, while few expect another cut in official rates, many say the first increase may not materialise until the second half – and some say the final quarter – of the year.

"The picture is of sustained but not runaway growth," argues Mr Reid.

"We feel the market's expectation of imminent and extensive rate rises is too pessimistic."

Early in the year, the 1995 wage round may prompt market jitters amid fears that the Bundesbank could fire a pre-emptive monetary "warning shot". However, most expect the wage round to be relatively smooth, with trade unions' concerns about unemployment and employers' continued drive to cut costs indicating wage settlements of around 3 per cent.

On the fiscal front, bunds are likely to derive support from continued budget consolidation, helped by the rise in tax revenues resulting from economic recovery and the reduction in transfer payments by the federal government to the eastern German states.

The federal budget deficit is projected at some DM59bn in 1995, little changed from this year.

Mr Rütger Teuscher at Deutsche Bank Research in Frankfurt estimates that Germany's total public-sector deficit will amount to DM107bn, or 3 per cent of gross domestic product, in 1995. That compares with DM142bn (4.3 per cent of GDP) in 1994 and DM179bn (5.8 per cent of GDP) in 1993.

Meanwhile, politics could act as a sporadic irritant for the market. Although Chancellor Helmut Kohl won his fourth election last October, his majority in the upper house of parliament is sharply reduced and rifts in his fragile centre-right coalition could unnerve the market.

However, bunds – often seen as Europe's "safe haven" – could benefit from political uncertainty in other European countries, such as France, Italy, Spain and the UK, where imminent elections or political upheaval may scare bond investors away.

Most forecasters expect the German yield curve to flatten substantially next year. Ten-year bunds are seen trading in a rough range of 7.25-7.75 per cent, to end the year around 7.5 per cent (up from 7.65 per cent at present), while three-month money rates are seen rising to around 6-6.25 per cent by year-end (up from 5.30 per cent currently).

"It will be largely a year of consolidation," says one senior bund dealer in Frankfurt. "After being overbought in 1993 and oversold in 1994, bunds could do with a period of relative calm."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	09/04	93.8500	-0.060	10.00	10.11	10.49
Belgium		7.750	10/04	95.6800	-0.530	8.41	8.39	8.25
Canada *		9.000	12/04	99.3500	-0.700	9.10	9.04	9.16
Denmark		7.000	12/04	86.5000	-1.070	9.12	8.86	8.61
France	BTAN	8.000	05/98	100.3600	-0.200	7.89	7.68	7.24
	OAT	7.500	04/05	94.8300	-0.850	8.24	8.19	7.89
Germany Bund		7.500	11/04	99.6100	-0.350	7.55	7.52	7.33
Italy		8.500	08/04	80.4400	-0.460	11.98†	11.98	11.67
Japan	No 119	4.800	06/99	103.8400	-	3.83	3.86	3.96
	No 164	4.100	12/03	97.1330	-0.060	4.55	4.54	4.88
Netherlands		7.250	10/04	96.2800	-0.960	7.80	7.66	7.45
Spain		10.000	02/05	87.7800	-0.980	11.88	11.53	11.13
UK Gilts		6.000	08/99	89-28	-27/32	8.70	8.43	8.35
		6.750	11/04	86-31	-55/32	8.75	8.48	8.46
		9.000	10/08	102-13	-65/32	8.70	8.46	8.44
US Treasury *		7.875	11/04	100-14	-14/32	7.81	7.80	7.93
		7.500	11/24	96-03	-29/32	7.85	7.86	8.02
ECU (French Govt)		6.000	04/04	83.7500	-0.570	8.60	8.59	8.31

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime / Treasury Bills and Bond Yields

		One month	5.15	Two year	7.71
Prime rate	8½	Two month	5.32	Three year	7.79
Broker loan rate	6½	Three month	5.63	Five year	7.83
Fed.funds	5½	Six month	6.56	10-year	7.82
Fed.funds at intervention	-	One year	7.22	30-year	7.84

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.96	110.44	-0.94	111.04	110.42	53,431	133,351
Jun	110.36	109.64	-0.92	110.36	109.64	542	2,636
Sep	109.78	109.26	-0.92	109.78	109.78	2	872

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
110	-	-	-	-	-	-
111	-	1.06	-	0.56	1.55	-
112	-	0.70	-	1.56	-	-
113	-	0.41	-	-	-	-
114	-	0.22	-	-	-	-

Est. vol. total, Calls 5,526 Puts 5,426 . Previous day's open int., Calls 192,287 Puts 153,321.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.60	88.80	-0.95	89.70	88.75	50009	166045
Jun		88.18	-1.05			0	1129

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8850	0.72	0.98	0.65	1.18	0.42	0.68	1.17	1.50
8900	0.46	0.72	0.66	0.98	0.66	0.92	1.48	1.80
8950	0.26	0.50	0.47	0.79	0.96	1.20	1.79	2.11

Est. vol. total, Calls 9657 Puts 6188. Previous day's open int., Calls 138098 Puts 81633

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.70	98.81	-0.95	99.70	98.75	9406	42224
Jun		98.11	-0.95			0	20

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9850	1.82	2.26	1.51	2.85
9900	1.55	2.03	1.74	2.92
9950	1.28	1.82	1.97	3.21

Est. vol. total, Calls 601 Puts 317. Previous day's open int., Calls 15864 Puts 14895

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	84.24	84.20	+0.01	84.53	84.11	24,383	42,547

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102-10	100-15	-1-31	102-10	100-14	28407	103010
Jun		99-15	-1-31			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-38	1-51	1-08	2-21
101	1-05	1-25	1-39	2-59
102	0-43	1-03	2-13	3-37

Est. vol. total, Calls 3963 Puts 3404. Previous day's open int., Calls 24734 Puts 30359

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.04	80.60	-0.76	81.10	80.60	1,030	6,056

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-24	99-22	-0-02	100-04	99-17	140,017	340,331
Jun	99-15	99-11	-0-02	99-24	99-08	8,468	12,538
Sep	99-12	99-02	+0-06	99-12	99-02	1,172	982

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.72			108.85	108.72	589	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Dec 29	Day's change %	Wed Dec 28	Accrued interest	xd adj. ytd		Low coupon yield Dec 29	Dec 28	Yr. ago	Medium coupon yield Dec 29	Dec 28	Yr. ago	High coupon yield Dec 29	Dec 28	Yr. ago
1 Up to 5 years (24)	118.93	-0.52	119.56	1.83	11.14	5 yrs	8.73	8.49	5.57	8.71	8.46	5.78	8.92	8.67	5.87
2 5-15 years (22)	138.81	-1.51	140.93	2.11	12.57	15 yrs	8.55	8.33	6.27	8.71	8.47	6.39	8.91	8.67	6.59
3 Over 15 years (9)	155.63	-2.01	158.82	2.84	12.21	20 yrs	8.48	8.30	6.38	8.71	8.47	6.44	8.82	8.60	6.61
4 Irredeemables (6)	177.25	-1.20	179.41	1.15	14.71	Irred.†	8.50	8.39	6.53						
5 All stocks (60)	136.08	-1.27	137.84	2.14	12.15										

Index-linked							Inflation 5% Dec 29	Dec 28	Yr. ago	Inflation 10% Dec 29	Dec 28	Yr. ago
6 Up to 5 years (2)	187.19	-0.05	187.28	1.23	5.07	Up to 5 yrs	4.04	4.01	2.02	2.78	2.74	1.17
7 Over 5 years (11)	173.68	-0.43	174.43	0.71	5.34	Over 5 yrs	3.87	3.83	2.86	3.67	3.64	2.88
8 All stocks (13)	174.19	-0.39	174.87	0.75	5.30							

Debentures and Loans						5 year yield Dec 29	Dec 28	Yr. ago	15 year yield Dec 29	Dec 28	Yr. ago	25 year yield Dec 29	Dec 28	Yr. ago
9 Debs & Loans (77)	128.48	-1.39	130.30	2.21	11.22	9.82	9.42	7.08	9.55	9.37	7.44	9.47	9.31	7.58

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 29	Dec 28	Dec 23	Dec 22	Dec 21	Yr ago	High*	Low*
Govt. Secs. (UK)	91.03	92.01	91.79	91.77	91.94	107.58	107.04	89.54
Fixed Interest	109.71	109.84	109.84	109.79	109.72	131.71	233.87	106.50

GILT EDGED ACTIVITY INDICES

	Dec 28	Dec 23	Dec 22	Dec 21	Dec 20
Gilt Edged bargains	68.8	75.1	84.4	89.3	95.5
5-day average	54.3	38.8	78.7	83.2	82.8

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 29

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88⅝	88⅞	-⅛	8.48
Alberta Province 7⅞ 96	1000	98⅛	98⅜		8.20
Austria 8½ 00	400	101¼	101⅝	-⅛	8.18
Bank Ned Gemeenten 7 99	1000	95	95¼	-⅛	8.05
Bank of Tokyo 8⅜ 96	100	100	100½	-⅛	8.32
Belgium 5½ 03	1000	82⅝	82⅞	-⅛	8.35
BFCE 7¼ 97	150	98⅛	98½		8.18
British Gas 0 21	1500	11⅛	11⅜		8.52
Canada 9 96	1000	101¼	101½		7.79
Cheung Kong Fin 5½ 98	500	87⅝	88⅛	-⅛	9.58
China 6½ 04	1000	84½	84⅞	-¼	9.28
Council Europe 8 96	100	99¾	100⅛		8.12
Credit Foncier 9½ 99	300	104⅜	104¾		8.20
Denmark 5¾ 98	1000	93½	93¾		8.16
East Japan Railway 6⅝ 04	600	88¼	88⅝	-⅛	8.36
ECSC 8¼ 96	193	100⅛	100⅝		8.16
EEC 8¼ 96	100	100⅜	100⅝		7.91
EIB 7¾ 96	250	99⅞	100⅛		7.79
EIB 9¼ 97	1000	102¾	103		8.12
Elec de France 9 98	200	101⅞	102⅜		8.29
Eurofima 9¼ 96	100	101¼	101⅝	-⅛	8.07
Ex-Im Bank Japan 8 02	500	99	99¼	-⅛	8.17
Export Dev Corp 9½ 98	150	103¾	104		8.21
Federal Natl Mort 7.40 04	1500	95½	95¾	-¼	8.25
Finland 6¾ 97	3000	96⅝	96⅞		8.24
Ford Motor Credit 6¼ 98	1500	94¼	94⅝		8.59
Gen Elec Capital 9⅜ 96	300	101½	101⅞	-⅛	8.16
GMAC 9⅛ 96	200	100⅝	101	-⅛	8.60
Ind Bk Japan Fin 7⅞ 97	200	98⅝	99⅛		8.63
Inter Amer Dev 7⅝ 96	200	99⅜	99⅝		7.99
Italy 6⅞ 23	3500	78¾	79	-⅛	9.14
Japan Dev Bk 8⅜ 01	500	100¼	100⅝	-⅛	8.31
Kansai Elec Pwr 10 98	350	102	102⅜	-⅛	8.19
Korea Elec Power 6⅜ 03	1350	84⅞	85¼	-¼	9.08
LTCB Fin 8 97	200	98⅞	99½	-⅛	8.61
Matsushita Elec 7¼ 02	1000	94¾	95⅛	-¼	8.36
Norway 7¼ 97	1000	98⅜	98¾		8.03
Ontario 7⅜ 03	3000	94⅛	94⅜	-¼	8.57
Oster Kontrollbank 8½ 01	200	101	101¼	-⅛	8.28
Petro-Canada 7¼ 96	200	98⅞	99⅜		8.09
Portugal 5¾ 03	1000	84	84¼	-⅛	8.53
Quebec Hydro 9¾ 98	150	103⅝	104		8.55
Quebec Prov 9 98	200	101	101½		8.61
Sainsbury 9⅛ 96	150	101¼	101⅝	-⅛	8.29
SAS 10 99	200	103¼	104	-⅛	9.01
SNCF 9½ 98	150	103⅝	104	-⅛	8.26
Spain 6½ 99	1500	93½	93¾		8.19
State Bk NSW 8½ 96	200	100¼	100⅝		8.29
Sweden 6½ 03	2000	89½	89⅞	-⅛	8.46
Swedish Export 8⅜ 98	700	100¼	100½		8.11
Tokyo Elec Power 6⅛ 03	1000	86¾	87¼	-¼	8.34
Tokyo Metropolis 8¼ 96	200	100¼	100½		8.06
Toyota Motor 5⅝ 98	1500	93¼	93½		8.08
United Kingdom 7¼ 02	3000	95¼	95½	-⅛	8.06
World Bank 8⅜ 99	1500	101½	101¾	-⅛	8.14
World Bank 8¾ 97	1500	101¾	102		8.00
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	82¼	82½	-¼	8.11
Credit Foncier 7¼ 03	2000	96¼	96⅝	-⅛	7.88
Denmark 6⅛ 98	2000	97½	97¾	-⅛	6.99
Depfa Finance 6⅜ 03	1500	90¼	90⅝	-⅝	7.98
Deutsche Bk Fin 7½ 03	2000	98	98⅜		7.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	100½	100⅞		6.91
Volkswagen Intl Fin 7 03	1000	94	94½	+⅛	8.00
World Bank 0 15	2000	20⅝	21¼	-⅛	7.82
World Bank 5⅞ 03	3000	89½	89⅝	-⅛	7.71
World Bank 8¾ 00	1250	108¾	111½	-¼	6.72
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	103	104	+1½	5.71
Austria 4½ 00	1000	97¾	97⅞	+⅛	5.01
Council Europe 4¾ 98	250	100	101		4.75
Denmark 4¼ 99	1000	97	97¼		4.97
EIB 6¾ 04	300	108	109	+1	5.66
Elec de France 7¼ 06	100	110	113		5.98
Finland 7¼ 99	300	107	107½		5.53
Hyundai Motor Fin 8½ 97	100	105½		-½	6.20
Iceland 7⅞ 00	100	107	108	-1	6.10
Kobe 6⅝ 01	240	103½	104½	-½	5.71
Ontario 6¼ 03	400	102	103	-½	5.98
Quebec Hydro 5 08	100	86¾	87	+¼	6.52
SNCF 7 04	450	109	109½	+¼	5.77
World Bank 5 03	150	97¼	97¾	+¼	5.40
World Bank 7 01	600	108			5.44
YEN STRAIGHTS					
Belgium 5 99	75000	103½	103¾	+⅛	4.20
EIB 6⅝ 00	100000	111	111¼		4.22
Finland 6¾ 96	50000	104⅝	104⅞		2.88
Inter Amer Dev 7¼ 00	30000	114⅝	114⅞		4.20
Italy 3½ 01	300000	93⅝	93½	+⅛	4.75
Japan Dev Bk 5 99	100000	103⅞	104	+⅛	4.06
Japan Dev Bk 6½ 01	120000	111⅜	111⅞	+⅛	4.50
Nippon Tel Tel 5⅞ 96	50000	104⅝	104⅞		3.09
Norway 5⅝ 97	150000	104¼	104½		3.27
SNCF 6¾ 00	30000	111¼	111½	+⅛	4.26
Spain 5¾ 02	125000	107	107¼	+⅛	4.59
Sweden 4⅝ 98	150000	102½	102⅝		3.75
World Bank 5¼ 02	250000	104⅜	104½	+⅛	4.59
OTHER STRAIGHTS					
Genfinance Lux 9¼ 99 LFr	1000	104½	105½	-⅛	7.83
IKB Deut Industrbk 8½ 03 LFr	3000	100¾	101¼	+⅛	8.45
World Bank 8 96 LFr	1000	100½	101¼	+⅛	7.58
ABN Amro 6⅝ 00 Fl	1000	95¾	96¼		7.62
Bank Ned Gemeenten 7 03 Fl	1500	94¾	95⅛		7.85
AlbertaProvince 10⅝ 99 C$	500	101⅝	101⅞	-⅛	9.99
Bell Canada 10⅝ 99 C$	150	103	103⅝	-⅛	9.74
British Columbia 10 96 C$	500	101	101¼	-⅛	9.14
EIB 10⅛ 98 C$	130	103⅞	105⅛	-¼	8.66
Elec de France 9¾ 99 C$	275	101⅜	101⅞	-¼	9.35
Gen Elec Capital 10 96 C$	300	101	101½	-⅛	9.15
KfW Int Fin 10 01 C$	400	101⅜	102⅜	-¼	9.60
Nippon Tel Tel 10¼ 99 C$	200	102¾	103⅜	-¼	9.49
Ontario 8 03 C$	1500	91⅜	91⅝		9.77
Ontario Hydro 10⅞ 99 C$	500	104¼	104⅝	-⅛	9.58
Oster Kontrollbank 10¼ 99 C$	150	102⅞	103⅜	-⅛	9.45
Quebec Prov 10½ 98 C$	200	102¼	102¾		9.77
Belgium 9⅛ 96 Ecu	1250	101⅞	102⅛	-⅛	7.41
Council Europe 9 01 Ecu	1100	101¾	102⅛	-¼	8.64
Credit Lyonnais 9 96 Ecu	125	101⅜	101⅞		7.84
EIB 10 97 Ecu	1125	104	104¼		7.86
Ferro del Stat 10⅛ 98 Ecu	500	104¼	104¾	-⅛	8.47
Italy 10⅝ 00 Ecu	1000	108	108⅜	-¼	8.78
Spain 9 96 Ecu	1000	101⅞	102		7.48
United Kingdom 9⅛ 01 Ecu	2750	102⅞	103	-⅛	8.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	91⅞	92	-⅞	9.45
Alliance Leics 11⅜ 97 £	100	105⅛	105⅜	-¼	8.82
British Land 8⅞ 23 £	150	88⅜	89	-2⅛	10.38
Denmark 6¾ 98 £	800	93⅜	93½	-⅞	8.93
EIB 10 97 £	687	102⅝	102⅞	-¼	8.56
Halifax 10⅜ 97 £	100	103⅛	103⅜	-¼	8.70
Hanson 10⅜ 97 £	500	103	103¼	-¼	9.09
HSBC Holdings 11.69 02 £	153	108¾	109	-1¼	9.97
Italy 10½ 14 £	400	106⅛	106⅝	-1⅞	9.77
Japan Dev Bk 7 00 £	200	91½	91¾	-⅝	8.98
Land Secs 9½ 07 £	200	97¾	98⅛	-1⅞	9.81
Ontario 11⅛ 01 £	100	107¾	108	-⅝	9.39
Powergen 8⅞ 03 £	250	96⅝	96¾	-⅞	9.47
Severn Trent 11½ 99 £	150	107¾	108⅛	-⅝	9.29
Tokyo Elec Power 11 01 £	150	107⅞	108⅛	-⅝	9.29
Abbey National 0 96 NZ$	100	84⅞	85⅝	+¼	9.74
TCNZ Fin 9¼ 02 NZ$	75	101	102	+½	9.04
Credit Local 6 01 FFr	7000	88½	88¾	-¼	8.25
Elec de France 8¾ 22 FFr	3000	100¼	100⅝	-½	8.72
SNCF 9¼ 97 FFr	4000	103	103⅜	-⅛	7.73

FLOATING RATE NOTES

	Issued	Bid	Offer	Cpn
Abbey Natl Treasury -1/16 99	1000	99.44	99.53	6.3750
Banco Roma 0 99	200	99.93	100.03	6.5312
Belgium 1/16 97 DM	500	100.08	100.19	5.1250
BFCE -0.02 98	350	99.79	99.90	6.2500
Britannia 0.10 98 £	150	99.94	100.04	6.1000
Canada -⅛ 99	2000	99.28	99.35	5.5625
CCCE 0 06 Ecu	200	99.03	99.26	5.7500
Credit Lyonnais 1/16 00	300	97.41	97.93	5.9125
Denmark -⅛ 96	1000	99.56	99.66	5.0625
Dresdner Finance 1/16 98 DM	1000	99.97	100.06	5.2188
Ferro del Stat 0.10 97	420	99.92	100.06	6.2250
Finland 0 97	1000	99.95	100.03	6.3750
IMI Bank Intl ¼ 99	500	99.99	100.09	6.1875
Italy ⅛ 98	2000	100.05	100.12	6.6250
LKB Baden-Wuert Fin -⅛ 98	1000	99.33	99.43	5.8750
Lloyds Bank Perp S 0.10	600	83.66	84.68	5.4125
Malaysia 1/16 05	650	99.18	99.40	5.9375
New Zealand -⅛ 99	1000	99.70	99.76	5.4459
Ontario 0 99	2000	99.58	99.67	5.8125
Renfe 0 98	500	99.39	99.55	6.0000
Societe Generale 0 98	300	99.50	99.61	6.3750
Staatsbank Berlin -0.05 98 DM	6000	99.94	100.00	5.2000
State Bk Victoria 0.05 99	125	99.79	100.01	5.1125
Sweden 0 98	1500	99.87	99.92	6.0625
Sweden -⅛ 01	2000	98.74	98.81	5.6875
United Kingdom -⅛ 96	4000	99.81	99.86	6.2500

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	89⅝	90⅝	+54.38
Chubb Capital 6 98	250	86	99⅞	100⅝	+0.86
Gold Kalgoorlie 7½ 00	65	1.0554	101⅛	103⅛	+33.60
Hanson 9½ 06 £	500	2.5875	103⅝	104⅜	+14.34
Hanson America 2.39 01	1000		71½	72	
Hong Kong Land 4 01	410	31.05	73¾	74¾	-26.00
Land Secs 6¾ 02 £	84	6.72	95¼	97⅛	+6.33
Lasmo 7¾ 05 £	90	5.64	82⅛	83⅜	
Mitsui Bank 2⅝ 03	200	2332.6	81¼	83¼	+8.53
Mount Isa Fin 6½ 97	100	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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مكرر من الاصل

Prudential buys 25% of Thai Sethakit Life

By Alison Smith

Prudential Corporation, the UK's largest life insurer, has bought a 24.99 per cent stake in Thai Sethakit Life for about £13m cash, and plans to bid for further shares.

Thai rules do not allow Prudential to acquire a stake of more than 25 per cent in TS Life, and the tender offer will be made jointly with the Khun Goanpot Asvinichit.

Prudential bought the stake from the Asvinichit family, which still controls a significant part of the company following the sale of 7.72m shares.

The tender offer is expected to begin in February, and will involve a bid of Bt65 per share – the same price as recently paid. Prudential is hoping to acquire a further 10 per cent of the company through the joint offer.

At present, TS Life is the second smallest of the 12 Thai insurance companies, with about 0.7 per cent of the market. Prudential believes that in seven years this can be increased to a share of about 7.5 per cent through organic growth, and that the market itself has great capacity for growth. Only about 7 per cent of Thais are insured.

TS Life has set up a working team to decide how to maximise the benefits of the alliance. It is likely that Prudential will provide TS Life with technical support, international expertise, new product development, computer systems, training, marketing and management skills.

Representatives of the UK insurer are intended to join the TS Life board shortly.

Prudential already has operations in Hong Kong, Singapore and Malaysia. Mr Mick Newmarch, chief executive, has highlighted the opportunities for growth in the Asia Pacific markets, compared with Europe. He believes there will not be a pan-European medium and long-term savings market until after 2000.

80% rise in value of M&As

By Tim Burt

The value of mergers and acquisitions in Britain has risen almost 80 per cent in the past 12 months, according to an industry survey published yesterday.

Figures compiled by Acquisitions Monthly, the financial magazine, showed that the total value of public and private takeover bids, along with management buy-outs, rose from £10.5bn last year to £18.6bn in 1994.

Bids for public companies increased sharply from £3bn to £5.09bn, while the value of private deals almost doubled from £5.72bn to £11.4bn.

Fees earned by merchant banks and accountants advising on these transaction also rose – up from £100m to £120m, although still far behind 1989's record £800m earnings.

Among the banks, S.G. Warburg emerged as the leading financial adviser for the second successive year, playing a role in deals worth more than £4bn.

Schroders was ranked second after advising on 28 deals worth £3.82bn, and Baring Brothers rose from eighth place last year to third in 1994.

UK PUBLIC AND PRIVATE DEALS 1994

Adviser	Public deals No.	Public deals £m	Private deals No.	Private deals £m	Totals No.	Totals £m
1 S.G. Warburg (1)	10	3,346	26	733	36	4,080
2 Schroders (4)	8	2,683	20	1,132	28	3,815
3 Baring Brothers (8)	6	616	17	2,242	23	2,858
4 Goldman Sachs (-)	3	1,831	10	1,382	13	3,214
5 Samuel Montagu (11)	9	903	15	1,896	24	2,799
6 Morgan Grenfell (2)	9	1,292	17	1,385	26	2,677
7 Kleinwort Benson (3)	6	819	12	1,753	18	2,572
8 Robert Fleming (19)	5	2,072	16	243	21	2,315
9 Lazards (7)	4	1,398	20	511	24	1,909
10 KPMG Corp Fin (9)	1	7	137	1,785	138	1,792

1993 rankings in brackets. Source: Acquisitions Monthly.

Bass chief's pay increases 17%

By Neil Buckley

Mr Ian Prosser, chairman and chief executive of Bass, the brewing group, enjoyed a 17 per cent rise in total pay last year from £505,000 to £593,000 – twice the rate of increase in group pre-tax profits.

The annual report shows that Mr Prosser's basic salary rose from £440,000 to £449,000, while his bonus jumped from £65,000 to £144,000. Bass said this reflected stronger increases than in the previous year in both pre-tax profits (8.7 per cent) and earnings per share (10.5 per cent), compared with targets set by the remuneration committee.

Mr Prosser's pension contributions increased from £110,000 to £114,000.

The salary increase made Mr Prosser Bass's highest-paid director. The man who beat him last year was believed to be Mr Bryan Langton, chairman of the Holiday Inn subsidiary, who earned £531,000.

Bass has set out performance conditions for a new executive share option scheme, which will be voted on by shareholders at the annual meeting on February 9.

The first options will not be exercisable unless group earnings per share over three years increase by at least 3.03 percentage points above retail price inflation.

This is Bass's second reform in corporate governance this year, after moving its directors from three to two-year rolling contracts in October.

Stanhope takes advice on trading

By Ralph Atkins in London and John Ridding in Paris

Stanhope, the property developer headed by Mr Stuart Lipton, was last night still in limbo – a week after its banks decided not to extend its credit facilities.

The group is understood to have taken legal advice about continuing trading, pending the outcome of negotiations with its bankers, advisers and other companies which have proposed rescue schemes.

Stanhope appears to have benefited from the near-shutdown of normal business over the holiday period, which will have reduced outgoings. Some liabilities might also be met from funds held by the company.

The 16 banks, led by Barclays, appear to have taken a sympathetic stance – at least temporarily.

"We are trying to be accommodating while there is a possibility of a solution," said a source closed to the talks.

Rescue proposals from British Land, the property investment company, and from PostTel, the post and tele communications pension fund, were rejected last week by the banks. However, talks with British Land have since reopened.

● Separately it emerged that Crédit Lyonnais, France's loss-making state-owned bank, has held talks with possible buyers – including British Land – about the sale of its 20 per cent stake in Forum des Halles, the landmark shopping complex in the centre of Paris.

Union des Assurances de Paris, France's largest insurer which holds 12.5 per cent of Forum des Halles, is considered another possible candidate for the stake.

Crédit Lyonnais is in the midst of an aggressive asset-disposal programme, aimed at strengthening its balance sheet and curbing losses which totalled FFr6.9bn (£810m) in 1993 and FFr4.5bn for the first half of this year. Industry observers estimated that its 20 per cent stake in Forum des Halles is valued in excess of FFr200m.

Tide of interest faces many locks

Haig Simonian explains why takeover talk in the water industry is tinged with caution

When Big Ben strikes midnight on December 31, the revellers in Trafalgar Square's fountains will not be the only ones with water on their minds.

January 1 1995, heralds the expiry of the government's "golden share" in nine of the 10 regional water and sewerage companies in England and Wales.

The "golden share" was devised to offer protection from hostile takeovers after privatisation in 1989. Its expiry means the nine could become vulnerable to bids. Welsh Water enjoys legislation providing greater protection.

Takeover talk started bubbling well ahead of the deadline. This month's hostile bid by Trafalgar House for Northern Electric, one of the regional electricity companies, has sent speculative ripples into the water sector.

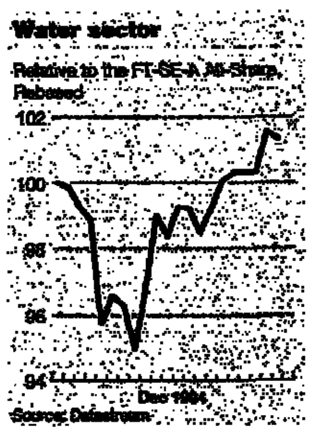
Investors have reacted to the apparent similarities between the two, such as solid earnings and relatively high dividends. Companies in both sectors also enjoy tax advantages.

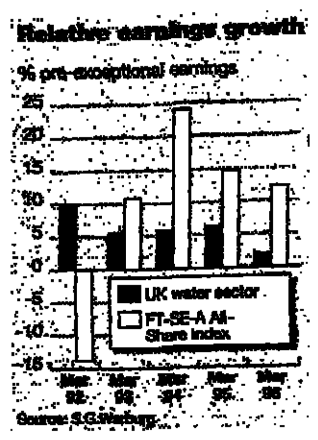
Share prices in the water and sewerage groups have risen, after a period of underperformance, in sympathy with the recs. Northumbrian, Southern, South West and Wessex, the four smallest water groups – seen as the most vulnerable – have outperformed the sector by about 3 per cent this month.

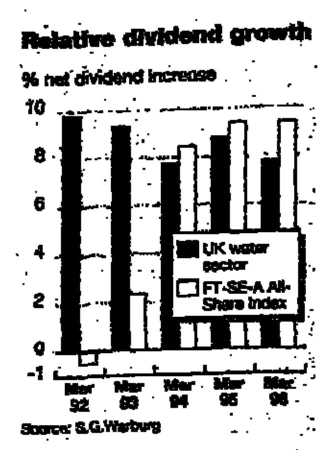
Speculation has been heightened by some previous activity in the sector, albeit on a small scale. While the 10 big water and sewerage groups have not changed since privatisation, consolidation has thinned the ranks of the smaller "water only" companies to just 21, from 29 in 1989. The smaller companies have been attractive targets, mainly because they lack the vast spending commitments, linked to sewage treatment, of their larger brethren.

The Trafalgar-Northern battle has shifted the takeover spotlight from the minnows to the bigger fish. "I wouldn't be surprised. I'm positively expecting takeover activity," says Mr Andrew Stone, water industry analyst at Daiwa Research Institute in London.

Many analysts are already trying to pick the bidders and targets. Northumbrian and Wessex top most lists.







Northumbrian's small size makes it relatively affordable in spite of its high share price. It also stands out for strong earnings, according to Mr Nigel Hawkins, the industry analyst at Hoare Govett. The company's decision to raise its interim dividend by 16 per cent may have been a pre-emptive move to butter up shareholders and fend off possible predators.

Wessex could be either a target or a bidder. Its deal to sell up to 20 per cent of its shares to Waste Management International, the UK arm of America's WMX, the world's leading waste group, has raised questions over its long-term independence.

However, having a strong ally such as WMX could give Wessex a fatter wallet to fund acquisitions. Bristol Water, a small "water only" company inside its territory, could be the first target.

Other possibilities include mergers between the bigger water companies, a takeover of a water utility by an aggressive rec, or vice versa.

Despite all the takeover talk, some observers are cautious. "One doesn't hear a lot about this among the companies," says Mr Don Ratledge of the Water Services Association, which represents the 10 water and sewerage companies.

"I don't expect any bids or mergers immediately. Possibly around the end of the decade, or later," reckons Mr Bill Dale, the water industry analyst at S.G. Warburg.

Their scepticism stems from the fact that the similarities between the recs and the water companies are superficial.

Many analysts are already trying to pick the bidders and targets. Northumbrian and Wessex top most lists.

Unlike the cash-rich recs, virtually all of the water companies have negative cash flows. Even those, such as Wessex, which have more cash than borrowings, will have to take on debt to finance the investment needed to improve water and waste standards.

Mr Dale predicts that the water companies will spend between £6bn and £7bn to meet tougher EU environmental rules. Such heavy spending will hold back earnings growth for years to come.

New legislation poses an additional risk. A future Labour government, or the European Commission, could tighten environmental standards further. Many also fear that Labour could impose a windfall profits tax.

Regulatory regimes also differ. Mr Ian Byatt, the water regulator, has kept the industry on a much tighter financial leash than Professor Stephen Littlechild, his opposite number in electricity. Many analysts believe the recs' fat profits derive largely from a relatively generous regulatory environment. Life in the water sector has been tougher.

A merger or takeover would also face a virtually certain referral to the Monopolies and Mergers Commission.

Mr Byatt has given few clues of his views on deals. However, he has implied he would expect any deal to offer substantial advantages to customers.

Analysts think he would oblige any bidder from within the water industry to pass on most of the expected cost savings to the consumer. That would strongly discourage intra-industry deals and, in any case, the companies are so physically bound to their regions that operational savings would be limited.

That leaves takeovers from outside bidders. The disincentives are strong, however. The bidders would not be able to achieve the immediate cost savings of combining utility businesses, and yet would still have to fund the costly capital spending programme.

Even deals between water and electricity companies could be difficult to justify. There is no strong reason for either grouping to expand into another heavily regulated area.

"The uncertainty in the water sector means it isn't attractive for outsiders," says Mr Dale.

So while investors may be preparing for further shocks among the recs, speculation among the water companies may turn out to be a damp squib.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 30.12.94 Pool purchase price £/MWh	Final Prices for Trading on [illegible] Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.09	9.24	9.24
0100	36.50	42.22	44.41
0130	42.88	42.22	44.41
0200	42.88	42.22	44.41
0230	36.50	42.22	44.41
0300	20.63	9.69	11.82
0330	11.33	9.29	9.29
0400	11.33	9.22	9.22
0430	9.09	9.22	9.22
0500	8.70	9.22	9.22
0530	10.13	9.24	9.24
0600	9.62	9.24	9.24
0630	9.02	9.21	9.21
0700	9.02	29.54	31.74
0730	9.02	30.56	32.77
0800	9.09	35.95	38.20
0830	9.09	46.41	48.68
0900	21.85	36.15	38.45
0930	27.70	39.84	42.14
1000	27.70	36.14	38.44
1030	27.70	36.07	38.34
1100	34.32	46.38	48.64
1130	34.32	46.38	48.63
1200	34.32	46.36	48.62
1230	47.79	46.32	48.56
1300	47.79	46.26	48.48
1330	47.79	33.67	35.87
1400	29.18	33.65	35.85
1430	29.18	30.93	33.13
1500	29.18	30.93	33.13
1530	29.18	30.95	33.15
1600	29.18	37.99	40.53
1630	38.14	69.67	67.92
1700	43.92	107.83	120.91
1730	54.87	123.60	136.90
1800	54.87	107.00	117.98
1830	54.86	71.53	77.32
1900	43.91	49.31	52.69
1930	38.94	39.03	41.64
2000	38.94	30.66	32.82
2030	38.14	35.75	37.95
2100	30.28	30.38	32.67
2130	30.28	29.69	31.89
2200	23.71	29.54	31.74
2230	25.02	29.11	31.30
2300	21.85	29.54	31.74
2330	9.50	9.27	9.27
2400	9.09	9.22	9.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction [illegible] until final pool prices are determined approximately twenty-eight days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited.

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LONDON STOCK EXCHANGE

MARKET REPORT

International rate pressures unsettle UK equities

By Steve Thompson

The surprise increase in base rates by a number of leading French banks and widespread disappointment across global markets with the outcome of the latest auction of German bunds provided the real trigger for a global slide in equity markets. London's equity market could not ignore such moves and came under pressure from the outset, eventually closing sharply lower after a session of thin and difficult trading.

The French shift was preceded by a surprising retreat from Wall Street overnight and a stuttering performance by US equities at the US opening yesterday. Adding to Wall Street's discomfiture was slightly worrying economic data and renewed concerns over Mexico.

At the close of trading, the FT-SE 100 index was at the day's lowest level, down 30.2 at 3,065.6. Second liners fared only marginally better, the FT-SE Mid 250 index ending the day 7.7 off at 3,498.4.

Dealers said there was always an element of uncertainty in gilt/bond markets yesterday, and London had picked up the scent of trouble from the outset. UK gilts opened easier and moved progressively lower.

One marketmaker pointed to the threat to French interests by terrorists from Algeria and the increasingly disturbing news from Russia. With the German bund auction said to have been badly received, there was only one way for international bonds to go.

"It looks very much now that the cycle of lower European interest has finally turned," said an economist at one leading European bank in London. "The chances of another reduction in German interest rates have virtually disappeared and the markets will have to cope with a period of stable German interest rates, which will be gently nudged upwards in the second half of the year," he added.

London began on a quiet note but down 14.4 at 3,081.4 in the wake of the poor performance by Wall Street overnight and the opening falls in gilts.

A flurry of sizeable trades put through the market during the early part of the session caused some consternation around the City's dealing desks but these were eventually unveiled as "bed and breakfast", or tax-related, deals and had little impact of prices.

Thereafter, there was little institutional trading until mid-morning, when gilts turned off again, along with German bunds, triggering small pockets of selling pressure in equity leaders.

The FT-SE 100 began to weaken in the run up to Wall Street's opening when it was down over 31 points. However, the US market came in level and began to edge higher, shrugging off news of slightly higher than expected leading indicators for November from the US.

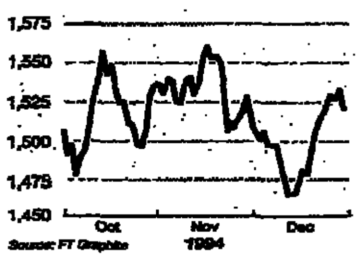
London staged a minor rally, reducing the fall in the FT-SE 100 to 22 points, but then fell as the market picked up the scent of a shift in French base rates.

Senior marketmakers, although rattled by the sudden and unexpected move by the French banks, said it would be wrong to judge the mood of European markets on such a day: "Dealing desks in London were only half-manned and no-one wanted to trade," he said, adding that most big securities houses had already positioned themselves with level books going into the New Year.

The expected surge of activity linked to over-the-counter option trades, specially tailored to client needs, failed to materialise. But many in the market are looking for a sudden burst of activity towards the close of trading this afternoon when derivatives traders are expected to try to influence some of the FT-SE 100's best and worst performers as the year comes to an end.

Turnover, given a strong boost by "bed and breakfast deals", accounting for turnover of some 74m shares, reached 426m shares.

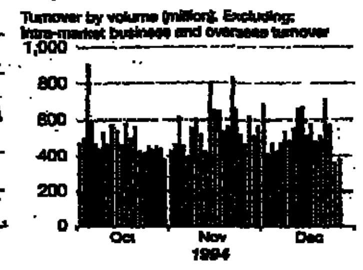
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT-SE 100	3065.6	-30.2	FT Ordinary index	2359.2	-21.8
FT-SE Mid 250	3498.4	-7.7	FT-SE-A Non Fins p/e	18.06	(18.20)
FT-SE-A 350	1537.0	-12.4	FT-SE100 Fut Mar	3077.0	-41.0
FT-SE-A All-Share	1521.15	-11.49	10 yr Gilt yield	8.82	(8.55)
FT-SE-A All-Share yield	4.03	(3.99)	Long gilt/equity yld ratio:	2.19	(2.16)

Best performing sectors

1. Textiles & Apparel ..... +0.3
2. Electricity ..... +0.2
3. Health Care ..... +0.0
4. Oil Exploration & Prod ..... +0.0
5. Retailers, General ..... +0.0

Worst performing sectors

1. Insurance ..... -2.1
2. Tobacco ..... -2.1
3. Telecommunications ..... -1.8
4. Diversified Industrial ..... -1.5
5. Spirits, Wines & Cider ..... -1.4

EQUITY FUTURES AND OPTIONS TRADING

It was a poor day in the derivatives market as a lack of buying, combined with dull sentiment after an overnight retreat on Wall Street, yesterday's falls in European markets and weakness in UK gilts, *writes Joel Kibazo.*

In futures, signs that Wednesday's rally had ran out of steam were seen at the outset as the March contract on the FT-SE 100 began an early slide. A greater number of independent traders was said to have returned to the market but with few willing buyers many were left twiddling their thumbs for most of the day. Sentiment was further dampened by a retreat in other European markets which followed disappointment with the German bund auction.

In the afternoon, the setback in the UK gilts sector brought a further slide and the contract fell to its low of 3,075 around the time of the announcement of an increase in French base rates.

March finished at 3,077, down 41 on its previous close but at a 12-point premium to the underlying cash market. Volume was 4,699 lots.

It was an equally poor day in the traded options sector and turnover slipped to a mere 13,564 contracts of which 6,799 were dealt in the FT-SE 100 option and a paltry 244 in the Euro FT-SE option. Wellcome was the busiest stock option at 1,006 trades. J. Sainsbury and Glaxo were the other active stock options.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3107.0	3077.0	-41.0	3112.0	3075.0	8088	55642
Jun		3090.0	-40.0			0	2925
Sep	3142.0	3112.0	-30.0	3142.0	3142.0	500	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Mar	3515.0	3507.5	-12.5	3515.0	3515.0	43	3925

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Mar	-	3495.0	-	-	-	-	-

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3065) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Jan	173½	7	126½	13	89½	22	55	39	28½	66½	13½	102½	6½	149	2½	198
Feb	208½	22	162½	35	126½	49½	96½	70	68	93	46½	123	30½	160	18½	201
Mar	218	40½	180	55½	146	72½	117	92½	87½	113½	66	142	47½	175	34	213
Apr	227½	52	191½	65½	161	85	132	105	108	129½	86	159	65½	198½	51½	234
Jun†	268	71½			193½	107½			137½	153			93½	210		

Calls 2,815 Puts 4,117

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jan	218½	5	163½	8	116½	26	79	38	41½	50½	22½	81	9½	118	2½	161
Feb	219	17½	178½	26½	141½	39	108½	56	80	77	57	103½	39	135	25½	171
Mar	226½	29	190½	40½	155½	54½	123½	72½	98	94	72½	119½	52	149	36	182
Jun			242	81½			198½	117½			129½	162½			86½	217½
Sep†			276½	99½			218½	136			188	180½			124½	233

Calls 120 Puts 124 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3350	3400	3450	3500	3550	3600	3650	3700
Jan								

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Dec 29	Day's chge%	Dec 28	Dec 23	Dec 22	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3065.6	-1.0	3095.8	3083.4	3091.7	3428.8	4.20	7.24	16.31	129.60	1170.44
FT-SE Mid 250	3498.4	-0.2	3506.1	3487.3	3485.9	3798.6	3.61	6.15	19.44	140.20	1318.10
FT-SE Mid 250 ex Inv Trusts	3501.5	-0.2	3509.0	3488.9	3487.3	3772.5	3.76	6.66	18.10	148.79	1317.37
FT-SE-A 350	1537.0	-0.8	1549.4	1542.7	1545.7	1708.6	4.07	6.99	16.94	64.22	1200.80
FT-SE SmallCap	1746.09	-0.1	1747.39	1745.81	1744.27	1884.44	3.48	5.02	25.28	57.23	1384.80
FT-SE SmallCap ex Inv Trusts	1715.66	-0.1	1716.67	1714.98	1713.12	1813.47	3.70	5.58	23.13	59.40	1345.54
FT-SE-A ALL-SHARE	1521.15	-0.7	1532.84	1526.37	1529.09	1685.23	4.03	6.85	17.34	62.64	1208.60

■ **FT-SE Actuaries All-Share**

	Dec 29	Day's chge%	Dec 28	Dec 23	Dec 22	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2684.82	-0.7	2704.56	2688.90	2699.91	2575.54	3.54	5.09	24.82	89.83	1083.91
12 Extractive Industries(4)	3761.92	-0.8	3790.58	3764.72	3766.68	3720.62	3.41	5.45	22.57	98.62	1038.07
15 Oil, Integrated(3)	2660.72	-0.8	2682.06	2668.58	2681.02	2528.50	3.66	5.64	22.06	98.44	1098.77
18 Oil Exploration & Prod(11)	1872.41	.....	1871.70	1865.18	1861.45	1772.25	2.62	‡	‡	38.03	1083.35
20 GEN MANUFACTURERS(266)	1827.22	-0.7	1840.85	1833.90	1831.87	2021.12	4.27	5.76	20.74	77.94	939.86
21 Building & Construction(33)	985.49	-0.3	988.09	983.81	982.25	1310.13	3.97	5.92	22.33	38.05	778.13
22 Building Matls & Merchs(32)	1773.70	-1.2	1795.53	1785.15	1788.31	2174.02	4.22	5.83	20.62	75.50	844.15
23 Chemicals(23)	2268.99	-0.5	2280.44	2286.98	2291.42	2324.56	4.16	4.76	26.11	95.25	1013.80
24 Diversified Industrials(16)	1736.86	-1.5	1762.46	1753.82	1743.48	2036.86	5.39	6.64	17.40	94.34	899.32
25 Electronic & Elect Equip(33)	1847.77	-0.5	1856.24	1858.88	1860.19	2097.42	4.16	6.87	17.34	76.35	913.04
26 Engineering(71)	1793.06	-0.2	1797.53	1787.32	1787.23	1789.10	3.37	5.51	21.32	61.00	1033.59
27 Engineering, Vehicles(12)	2177.51	-0.2	2182.41	2164.82	2162.22	2128.61	4.60	1.57	80.00†	94.31	1065.92
28 Printing, Paper & Pckg(26)	2737.50	-0.5	2750.40	2731.45	2730.73	2601.50	3.20	5.70	20.41	87.39	1083.76
29 Textiles & Apparel(20)	1512.76	+0.3	1508.66	1506.61	1511.22	1816.33	4.46	6.54	18.84	66.26	866.11
30 CONSUMER GOODS(90)	2786.60	-1.0	2813.66	2817.74	2828.58	3022.89	4.36	7.32	15.88	122.01	988.43
31 Breweries(17)	2197.64	-0.5	2207.64	2205.84	2211.39	2300.77	4.36	8.21	14.71	98.09	1001.33
32 Spirits, Wines & Ciders(10)	2719.36	-1.4	2758.32	2742.84	2751.72	3116.68	4.20	6.99	16.51	113.59	919.54
33 Food Manufacturers(24)	2311.62	-0.7	2328.52	2324.14	2325.97	2458.79	4.30	7.86	15.49	104.08	983.52
34 Household Goods(13)	2372.39	-0.6	2386.99	2396.34	2396.64	2656.76	3.86	7.61	15.85	90.83	859.45
36 Health Care(21)	1560.53	.....	1559.93	1560.51	1558.47	1767.56	3.24	3.53	40.01	51.92	911.33
37 Pharmaceuticals(12)	3263.23	-0.8	3289.33	3308.62	3341.27	3274.75	4.13	6.60	17.53	133.07	1046.80
38 Tobacco(2)	3614.47	-2.1	3690.19	3714.46	3691.45	4668.53	5.95	10.08	10.83	217.07	824.49
40 SERVICES(219)	1886.33	-0.4	1893.69	1881.30	1883.85	2096.02	3.33	6.78	17.77	65.47	934.91
41 Distributors(30)	2493.23	-0.5	2504.96	2504.66	2507.21	2968.79	3.87	7.42	15.95	93.56	871.22
42 Leisure & Hotels(25)	2110.86	-0.5	2120.51	2108.74	2109.68	2074.19	3.37	5.25	22.26	63.90	1046.77
43 Media(36)	2798.00	-0.6	2815.91	2807.02	2818.97	2942.39	2.52	5.47	21.36	71.49	974.25
44 Retailers, Food(16)	1753.37	-0.3	1759.26	1735.85	1736.10	1738.66	3.75	9.09	13.50	65.24	1058.14
45 Retailers, General(46)	1581.62	.....	1581.86	1568.15	1570.37	1916.06	3.37	7.33	16.98	69.39	860.83
48 Support Services(41)	1457.15	-0.4	1463.02	1461.87	1460.22	1678.51	2.95	6.74	17.49	42.89	892.43
49 Transport(16)	2199.02	-0.8	2216.79	2203.22	2205.43	2607.20	3.88	6.34	18.57	72.24	888.58
51 Other Services & Business(8)	1243.35	-0.2	1246.08	1246.84	1242.91	1168.55	3.59	3.89	35.81	38.11	1078.80
60 UTILITIES(37)	2419.42	-0.9	2440.74	2410.56	2413.21	2698.71	4.43	7.71	15.80	120.13	950.55
62 Electricity(17)	2593.65	+0.2	2587.49	2547.34	2540.71	2520.69	3.76	9.68	12.38	134.52	1101.12
64 Gas Distribution(2)	2071.32	-0.5	2081.16	2052.13	2068.37	2279.32	5.78	‡	‡	119.82	972.88
66 Telecommunications(5)	1962.74	-1.8	1999.71	1983.26	1987.65	2419.44	4.16	7.61	16.06	83.93	851.83
68 Water(13)	1821.49	-1.0	1839.34	1809.77	1808.38	2083.65	5.51	13.49	8.06	100.02	926.44
69 NON-FINANCIALS(639)	1644.94	-0.7	1657.04	1646.88	1651.53	1788.25	4.01	6.64	18.06	67.74	1174.92
70 FINANCIALS(106)	2149.61	-1.0	2170.70	2170.01	2176.76	2806.25	4.49	9.06	12.77	96.49	858.27
71 Banks(10)	2858.48	-0.9	2884.09	2893.02	2911.08	3442.85	4.25	9.97	11.49	120.90	860.81
73 Insurance(17)	1146.76	-2.1	1171.47	1161.14	1166.36	1515.90	5.58	10.64	10.71	63.13	792.93
74 Life Assurance(6)	2354.68	-1.1	2380.52	2382.47	2366.64	2719.18	5.43	7.91	15.41	127.82	911.29
75 Merchant Banks(6)	2947.02	-0.8	2972.17	2953.25	2953.07	3412.84	3.59	9.43	12.34	103.78	895.07
77 Other Financial(26)	1842.06	-0.2	1845.55	1846.29	1845.31	1926.14	4.05	8.37	14.37	76.75	995.14
79 Property(43)	1413.59	-0.5	1420.92	1420.86	1409.74	1796.73	4.30	4.58	27.25	61.43	820.21
80 INVESTMENT TRUSTS(124)	2696.32	-0.2	2702.31	2697.67	2697.29	3026.25	2.36	1.99	50.58	66.00	911.01
89 FT-SE-A ALL-SHARE(871)	1521.15	-0.7	1532.64	1526.37	1529.09	1685.23	4.03	6.85	17.34	62.64	1208.60

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3081.4	3080.0	3073.5	3075.9	3075.8	3072.7	3064.8	3073.5	3065.5	3082.4	3064.6
FT-SE Mid 250	3500.4	3499.3	3498.1	3501.3	3501.5	3499.9	3496.7	3498.2	3498.3	3501.6	3496.1
FT-SE-A 350	1543.2	1542.6	1539.9	1541.2	1541.2	1539.8	1536.4	1540.0	1536.9	1543.6	1536.3

Time of FT-SE 100 Day's high. 8.43am Day's low: 2.00pm. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	931.2	929.9	929.6	929.6	928.6	928.1	928.5	928.6	928.6	928.6	932.3	-3.7
Pharmaceuticls	3241.4	3241.8	3231.8	3234.8	3242.3	3240.0	3233.6	3246.3	3237.8	3238.9	3265.0	-26.1
Water	1832.4	1833.0	1823.6	1823.9	1821.1	1817.1	1815.5	1818.0	1818.1	1819.1	1837.2	-18.1
Banks	2900.6	2906.1	2901.2	2909.8	2904.1	2901.2	2890.5	2906.0	2894.4	2895.0	2920.9	-25.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	48	334	-1
ASDA Group†	5,900	66¼	+¼
Abbey National†	1,300	426	-4½
Albert Fisher	11,000	48	+2
Allied Domecq†	847	557	-7
Anglian Water	441	514	-4
Argos	108	351	
Argyll Group†	1,300	266	-1
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

French rise hits builders

A late move by the leading French commercial banks to raise their base lending rates sent shock waves through the building and construction sector.

The rise to 8.25 per cent from 7.95 per cent led to fears that recovery in French construction could be nipped in the bud. Some analysts argued that the move signalled a higher interest rate environment in Europe and could stifle business in Germany where many of the UK construction and materials groups are also heavily involved. However, others suggested that the shift was purely domestic.

Speculation that something was happening leaked into the gilts market around midday but the first announcement of a change did not happen until half an hour before the UK market closed.

Share prices were already weak and when the news came dealers immediately marked them down further. They cut the price of the FT-SE 100 stocks – RMC, Redland and Blue Circle. RMC fell 15½ to 940p and Redland, which is heavily involved in the French road building programme through its aggregates subsidiary Steetley, fell 9 to 460p.

Blue Circle slid 9 to 284p with dealers also citing the current BZW sell stance. However, BPB and Pilkington, Europe's premier glass maker, escaped unscathed and remained steady at 294p and 164p respectively.

Telecommunications group Cable and Wireless was one of the weaker spots among leading issues as a large seller dragged down the share price amid concerns over competition and overseas pressure.

A 72-point fall overnight in the Hang Seng market in Hong Kong, from where C&W generates around two-thirds of its operating profits, led to initial weakness. This was compounded by news that competition had forced its Mercury subsidiary to make big cuts in the cost of international calls. Also, Mercury's Christmas promotion for its One-2-One mobile phone came in for heavy criticism. The shares ended 12 lower at 378p.

Standard Chartered firmed a half to 282½p despite being exposed to the frailty of Hong Kong's Hang Seng Index. The bank is seen as a global takeover candidate.

Growing concern over the state of the Mexican economy sent Lloyds Bank shares down 5 to 553p. Though not directly affected by the crisis, the bank is heavily exposed to secondary debt in Latin America and it has seen its capital ratio come under pressure at a time when it needs its strength to push though its proposed acquisition of the Cheltenham & Gloucester building society.

Insurance stocks, highly geared to the performance of the market, fell as they also came in for negative press comment on their prospects for 1995. However, Prudential received support from the news that its was taking 25 per cent stake of a Thai life assurance group. The move was seen as securing a toe-hold in the emerging market. The shares closed 5½ lower at 316½p as two-way business took turnover to 2.1m.

Northern Ireland Electricity moved 5 ahead to 363p, as bargain hunters turned their attention to the distributor. The shares were left behind in the recent strong rally in the sector that was ignited by the bid for Northern, 5 lower at 1005p, as the market awaits further developments on the bid. Northern's predator Trafalgar House eased 1½ to 73p, in strong business of 7.4m.

Speculation of a further bid nies boosted Yorkshire 11 to 718p.

Rank Organisation hardened a penny to 411p as Smith New Court struck a positive note. Recommending the stock as one of its favourites for the coming year, Smith believes the company will benefit from "strong growth and the benefits of cost cutting at Rank Xerox," in which it holds a 49 per cent stake.

Hopes of bumper sales over the festive season helped several retailers the market slide. Kingfisher gained another 5 to 443p with sentiment enhanced by a press recommendation.

High street retailer Boots was also in demand and the shares added 2 to 508p.

MARKET REPORTERS:
Peter John,
Joel Kibazo

■ Other statistics, Page 18

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (99).
BLDG MATLS & MCHTS (1) Eclipse Blinds, DISTRIBUTORS (2) African Lakes, Wishaw, DIVERSIFIED INDLS (1) BH Prop., ELECTRICITY (3) Norweb, South Wales, South Western, ELECTRNC & ELECT EQUP (1) Telspec, ENGINEERING (2) Kelsey Inds., Mackie Int'l., ENG. VEHICLES (3) Automotive Precision, Fast Technology, Honda Motor, EXTRACTIVE INDS (2) Impala Platinum, Kenor, FOOD MANUF (2) Carr's Milling, Greencore, INVESTMENT TRUSTS (3) Drayton Recovery Pfd. Gwth., Gartmore Value Zero Prf., JF Asia Select, LEISURE & HOTELS (2) BCE, Chrysalis, MEDIA (4) Dorling Kindersley, Elsevier, Metal Bulletin, Tele-Cine Cell, OIL, INTEGRATED (1) Woodside, PHARMACEUTICALS (1) Hafslund Nycomed A, PROPERTY (1) TEI, SUPPORT SERVS (1) Page (M), TRANSPORT (2) Badgerline, Go-Ahead, WATER (1) South Staffs Water.
NEW LOWS (58).
GILTS (10) BANKS (1) First Nat'l. Finance 7pc Prf., BREWERIES (1) Vaux, BUILDING & CNSTRN (1) Eve, BLDG MATLS & MCHTS (1) Spring Ram, DIVERSIFIED INDLS (2) Amer Grp. Free A, Harrisons & Crosfield, ELECTRNC & ELECT EQUP (1) Feedback, ENG. VEHICLES (1) Motor World, EXTRACTIVE INDS (2) Minmet, Walhalla, FOOD MANUF (1) Canadian Pizza, INVESTMENT TRUSTS (21) Beta Global Emer. Mkts Wts., Contl Assets Wts., Edinburgh Inca, Edinburgh Inca Wts., Exeter Preferred Cap., Exmoor Dual Inc., Fairbairn Euro. Smlr., Fidelity Special Ii. Uns., First Spanish, Do Cv. Ln. 1997, Fleming Cont'l., Fleming Euro. Fldg. Wts., Fleming Indian, French Prop., JF Indonesia Fd. Inc. Wts., Latin American, Olim Conv., Paribas French, River & Merc. Amer. Wts., Scudder Latin Amer., Second Market, INVESTMENT COMPANIES (1) Oryx Fund, LEISURE & HOTELS (2) Allied Leis., Magnolia, MEDIA (2) United Newspapers, WMGO Wts., OIL EXPLORATION & PROD (2) Schlumberger, XCL, OTHER SERVS & BUSNS (2) Leigh Intrs., Porth, PROPERTY (1) McKay Secs., RETAILERS, GENERAL (1) Rosebys, SUPPORT SERVS (1) Vistec, TEXTILES & APPAREL (2) Atkins, Rexmore, AMERICANS (1) Pennzoil, CANADIANS (2).

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul	Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Allied Domecq	500	39½	53	62½	½	6½	12½	Hanson	220	15½	19	22	2½	6½	10
(*537)	550	5	22½	33½	16½	25	34	(*232)	240	4½	8½	12	11	16	20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*274)	280	7	14½	18½	10	13	19½								

December 29 Total contracts: 13,790 Calls: 6,127 Puts: 7,663

FT GOLD MINES INDEX

	Dec 28	% chg on day	Dec 27	Dec 23	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1967.37	+3.1	1908.58	1909.75	2185.91	2.22	2367.46	1782.02
■ Regional Indices								
Africa (16)	3122.01	+0.5	3107.35	3115.87	3179.52	4.48	3711.87	2304.45
Australasia (7)	2439.18	+2.4	2381.60	2384.38	2558.37	2.14	3013.89	2171.66
North America (11)	1555.91	+4.9	1482.72	1481.38	1847.79	0.84	2039.65	1417.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Dec 28: 242.0 ; day's change: +3.6 points; Year ago: 258.0 † Partial. Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	65	5
Other Fixed Interest	*0*	*0*	*14*
Mineral Extraction	44	63	89
General Manufacturers	65	149	414
Consumer Goods	14	49	122
Services	53	92	345
Utilities	12	19	12
Financials	24	134	208
Investment Trusts	34	107	321
Others	13	61	52
Totals	*259*	*739*	*1582*

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	December 19	Expiry	March 23
Last Dealings	January 6	Settlement	April 6

Calls: Airtours, Blenheim Prf, Bolton, Brit Thornton, Butte Mng, Conrad, CRP Leisure, Jacobs (JI), Minmet, NSM, Regent Corp, Tullow Oil, Union Discount. Puts: Airtours, Blenheim Prf, Brit Thornton, CRP Leisure, Minmet, NSM, Ovoca.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.89	98	90½	Asset Man Inv	97		-	-	-	-
-	F.P.	4,399.1	259	255	BSkyB	256½	-1	N-	-	-	48.3
-	F.P.	39.3	64	43	Brit Assets Gth	64		-	-	-	-
-	F.P.	66.9	173	133	Clydeport	167		RN3.51	-	2.6	-
100	F.P.	19.4	103	96	Euclidian	97		-	-	-	-
-	F.P.	38.8	94	92	Fidelity Sp Val	92		-	-	-	-
-	F.P.	1.98	27	22	Do Warrants	27		-	-	-	-
$10	F.P.	37.2	625	615	First Russian Fr	620		-	-	-	-
100	F.P.	46.0	94	91	Fleming Nat Res	92		-	-	-	-
100	F.P.	29.3	106	98½	For & Col Emrg C	102¼	+¼	-	-	-	-
500	F.P.	217.3	510	490	Gartmore Mic Uts	510	+2	-	-	-	-
-	F.P.	26.4	98	94	Hill Hire	97		§3.4	2.0	4.4	12.1
80	F.P.	10.9	83	83	Hydro Intl.	83		RN-	-	-	33.8
-	F.P.	28.6	100	90	INVESCO Korea C	95½		-	-	-	-
120	F.P.	25.6	123	123	Innovative Techs	123		N-	-	-	-
-	F.P.	222.7	125	80¼	Invest Capital	90		N5.2	-	7.2	-
-	F.P.	94.0	39	36	Do Inc Annuity	38		-	-	-	-
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
100	F.P.	59.4	101	99	Leg & Gen Recvry	99		-	-	-	-
§3	F.P.	5.55	3½	3	MICE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	42.5	94	82	Matheson Lloyds	85		-	-	-	-
100	F.P.	58.8	92	88	Murray Emrg Econ	90½		-	-	-	-
-	F.P.	14.7	145	138	RAP Group	138		RN4.65	2.1	4.2	10.8
175	F.P.	34.7	210	203	RM	206		N4.8	3.1	2.9	13.3
-	F.P.	5.53	108	101	Residential Prop	101		-	-	-	-
120	F.P.	63.5	144	120	SeaPerfect	129		-	-	-	-
182	F.P.	1,465.3	188	171	TeleWest	171	-1½	-	-	-	-
100	F.P.	17.8	102	102	Wellington Un.	102		-	-	-	-
-	*F.P.*	*247.4*	*116*	*116*	*Woodchester Units*	*118*		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
190	Nil	25/1	37pm	18pm	Cowie	37pm	
100	Nil	25/1	27pm	16pm	Division Grp	17pm	
120	Nil	6/1	18pm	15pm	Inspirations	16pm	
53	Nil	31/1	1½pm	¼pm	MY	¼pm	
37	Nil	3/1	5pm	2pm	OMI	2pm	
10	Nil	9/1	½pm	½pm	Tomorrows Leis	½pm	
25	Nil	10/2	¾pm	¾pm	Trio	¾pm	
7½	Nil	3/2	1½pm	½pm	Verity	1pm	
90	Nil	9/2	15pm	4pm	Walker G'bank	11pm	

FINANCIAL TIMES EQUITY INDICES

	Dec 29	Dec 28	Dec 23	Dec 22	Dec 21	Yr ago	*High	*Low
Ordinary Share	2359.2	2381.0	2381.0	2369.3	2355.7	2570.4	2713.6	2240.6
Ord. div. yield	4.43	4.39	4.41	4.40	4.43	3.62	4.61	3.43
Earn. yld. % full	6.50	6.43	6.46	6.45	6.49	4.10	6.75	3.82
P/E ratio net	17.80	17.95	17.88	17.86	17.74	30.76	33.43	16.94
P/E ratio nil	17.24	17.39	17.32	17.38	17.26	28.52	30.80	16.67

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2371.4	*2370.0*	*2364.7*	*2366.4*	*2365.6*	*2363.6*	*2358.4*	*2363.7*	*2360.0*	*2371.9*	*2358.3*

	Dec 29	Dec 28	Dec 23	Dec 22	Dec 21	Yr ago
SEAQ bargains	12,844	12,414	11,881	19,581	18,748	38,746
Equity turnover (£m)†	-	686.1	754.1	1316.2	1624.8	1303.0
Equity bargains†	-	16,738	17,332	25,960	31,037	41,272
Shares traded (mil)†	-	384.5	369.6	581.0	722.5	474.3

†Excluding intra-market business and overseas turnover.

COMMODITIES AND AGRICULTURE

THE MARKETS IN 1994

Copper, aluminium and coffee shine in an eventful year

For leading world commodity markets 1994 has been a year of mixed fortunes; and for many commodity analysts a period to look back on with some embarrassment.

Base metals prices, which were generally forecast to languish, remained very strong throughout; and the gold price, for which strong gains were predicted, languished. Coffee's expected modest rise rise turned out to be a major bull run; while cocoa failed to build as expected on its strength in late-1993.

At this time last year the prices of metals traded on the London Metal Exchange were struggling to move away from historic real-term lows. Most analysts were suggesting that the recovery would be long and arduous. Nevertheless, they said, most prices would be higher in 1994 – the exception being copper, which needed to fall a little more before moving back up. How wrong most analysts were.

Base metals prices have boomed. Copper and aluminium, the most heavily-trade metals, are 70 per cent above the levels ruling at the end of 1993 while even zinc, which most analysts agree has the worst near-term prospects of the LME metals, has risen by 16 per cent.

Nearly everyone failed to predict the impact of two new elements in the metals markets this year: the activities of the investment funds and banks.

The funds are estimated to have put US$16bn (£10bn) into metals so far this year. Meanwhile, the banks probably control 75 per cent of the LME stocks – traders say that as much as 85 per cent of the exchange's aluminium stock is controlled by four or five banks.

Consumers are complaining and producers, many of whom were almost suicidal a year ago, do not wholeheartedly welcome the new element in the metals markets either. High prices encourage substitution of other materials for metals and volatile prices frighten off potential metals users. Also, some producers are using the futures markets to lock in artificially high prices either to fund further development or to bolster flagging operations – moves that might bloat future supply.

Nevertheless, investment fund managers say they had good reasons for buying metals: clients wanted to reduce their portfolio risk through asset diversification and to hedge against unexpected inflation.

Some analysts still insist that metals prices have outrun the fundamentals of supply and demand. But others suggest the funds' timing so far has been perfect and there are solid reasons underlying this year's price rises.

Mr Wiktor Bielski, metals analyst at Bain & Company, a Deutsche Bank subsidiary, points out that demand for aluminium, copper and nickel rose 7 per cent in the first half of 1994, compared with the same period last year, while lead and zinc demand was up by 4 per cent. Meanwhile, supplies have fallen along with exports from the former eastern bloc – apart from those of aluminium. Some producers have had to buy metal on the LME to cover commitments.

The year started well for precious metals producers. Many analysts were predicting a steady, if unspectacular, rise in the gold price well beyond $400 a troy ounce and some of the same investors who had driven up the gold price in the spring of 1993 attempted to push silver through $6 an ounce. This attempt was unsuccessful, as was gold's attack on $400.

The World Gold Council points out that rising interest rates are encouraging more gold mining companies to hedge their future production and this appears to be putting a "cap" on any price rise above $400. North American producers can now lock-in prices of about $410 an ounce for deliveries one year forward, it says. In Australian dollar terms, forward premiums look even more attractive.

Interest rate increases have pushed one-year gold contangos (premiums for future delivery) to above 5 per cent. The WGC also points out that, when the gold price tested the top end of $370-$395 range in which it has mainly traded this year "heavy trade selling was encountered and the price fell back".

Platinum was held back by gold's lacklustre performance – many investment funds link all the precious metals in their computer-generated trading – and supply was helped by Russia digging deep into its reserves to keep up with growing demand in the western markets.

But booming world-wide demand for mobile telephones helped the price of palladium (platinum's sister metal) to double in the past year. The precious metal is needed for the multi-layer ceramic capacitors used in these telephones, as well as in a wide variety of other electronic equipment such as personal computers and the new wide-screen televisions.

Few coffee traders would have thought at the end of 1993 that a year later they would regard London futures prices in the high $2,000s a tonne as somewhat disappointing.

At that time the second position at the London Commodity Exchange was a whisker below $1,200 a tonne, having already been boosted by a producers' agreement to withhold supplies from the world market in an effort to lift prices to a more remunerative level.

In fact, by the time that agreement – styled the "export retention scheme" – came into effect at the beginning of October its market impact appeared already to have been discounted. Nearby LCE prices had rallied from the low $900s in July to above $1,300 in August, in anticipation of the retention scheme, before the downward reaction set in.

A renewed uptrend in the early months of this year – encouraged by crop problems in various producing areas – quickly consigned the retention scheme to history by carrying prices above its target level. But traders saw that as a "bubble" waiting to burst. They were concerned about the growing influence in the rise of the US investment funds, which might pull out of the market even more quickly than they had entered it.

There were signs that that might be happening late in May when a surge to within $20 of the $2,500-a-tonne mark for the second position was followed by a $400-plus plunge in the space of two days.

In the event prices stabilised, and by mid-June any thoughts of a speculative sell-off had been dismissed following news that growing areas in Brazil, the world's biggest producer by far, had suffered a damaging frost that had severely hit flowering for the 1995-95 crop. That pushed the second position price above $3,000 a tonne; and four weeks later it topped $4,000 to reach the highest level for eight and a half years after a second frost struck in Brazil.

After another retreat prices were driven to fresh 8½-year highs in September by more Brazilian weather worries – this time drought. But that proved to be the peak. Since the rains came in mid-October the overall trend has been downwards and the second position closed yesterday at $2,876 a tonne, still 140 per cent up on the year but $1,260 off the peak.

With weather worries off the agenda for the time being analysts have been taking a more sober view of crop prospects and turning their minds increasingly to the demand side of the equation. At today's prices most see consumption falling significantly next year, compensating to some extent for the reduction in Brazilian supplies.

The LCE cocoa market put in a much more pedestrian performance this year. The current three-year sequence of world supply/demand deficits is generally expected to continue for another two years at least, so stocks should continue to fall. But that has already been taken account of at present market levels, analysts say, and it will take fresh bullish developments to lift prices above the 6½-year highs seen briefly in July. At £1,116 a tonne the July peak for the second futures position was only £50 above the high seen in December 1993. And since then the price has retreated by about £180. It closed yesterday at £984 a tonne, up just £55 over the year.

Producer talk of a withholding scheme similar to that operated by coffee producers does not seem to have worried buyers overmuch and prospects for renewed price gains in the new year could depend on a return of the investment fund money that was switched into the coffee market in the first quarter of this year.

London white sugar futures surged to four-year highs late in 1994 as increasing supply tightness was felt in the market. In late trading yesterday the second position stood at $405.50 a tonne, up $118 overall but $9 down from the peak reached early this month.

Broker C. Czarnikow said recently that sugar prices were likely to continue in a "consolidation phase" for a while because big importers such as China and Russia would probably stay out of the market until well into next year. In its December Sugar Review Czarnikow said: "Although renewed strength may well emerge during the course of next year, there is now less certainty about the direction which the market might take in the short term and there is likely to be a period of consolidation".

A week earlier, however, E.D. & F. Man, another broker, suggested that the sugar market could move higher in coming months. "In this situation," it said, "even routine offtake is enough to reinforce the underlying support for prices.

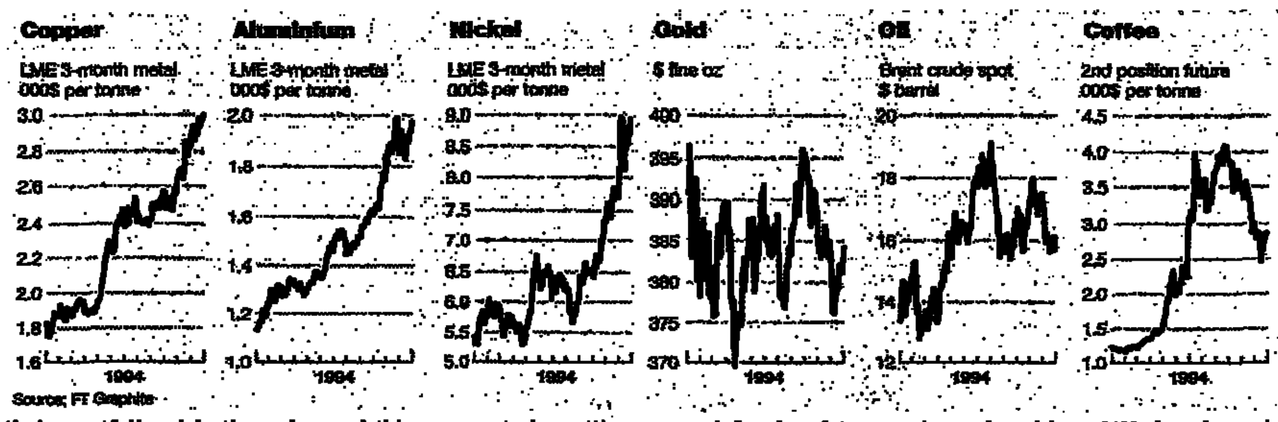
The International Sugar Organisation, which represents the world's leading producers, appears to go along with Czarnikow's "consolidation theory". It said recently that it believed prices above 15 US cents a pound (just above the current level) would "dry up physical demand from the price-sensitive importers which account for the lion's share of the world sugar trade.

Volatility has been one of the main features of oil prices this year, with sharp swings between the year's low of just under $12 a barrel for Brent Blend in February and a high of about $19.40 a barrel in the summer. Some traders say the presence of hedge and commodity funds in the oil markets has led to increased price volatility.

Oil prices have remained relatively weak even though the Organisation of Petroleum Exporting Countries has generally adhered to the 24.52m barrel a day quota first set in September 1993. The continued expansion of non-Opec production, particularly from the British and Norwegian sectors of the North Sea, was one of the main reasons why Opec's strategy over the past year failed to result in oil prices moving steadily upwards.

Non-Opec production is expected to expand even further over the first half of 1995. But Opec strategists hope that faster economic growth in the main industrial countries will lead to sharply higher oil demand by the end of 1995, and the prospect of higher prices.

Richard Mooney, Kenneth Gooding and Robert Corzine



Source: FT Graphite

Russians undecided on smelter refit plan

Management at Russia's Krasnoyarsk aluminium smelter has not yet decided which of two rival modernisation proposals from foreign companies it will accept, reports Reuters from Moscow.

The Siberian plant's deputy director, Mikhail Vasilyev, said this week, however, that proposals by Alcoa (Aluminium Company of America) are less expensive than those of France's Pechiney.

"According to our experts, the French proposal is about twice as expensive as Alcoa's," he said.

Earlier this year, Pechiney submitted to the Russian state metallurgy committee a preliminary reconstruction plan for Krasnoyarsk.

A Pechiney official rejected the cost comparison. "The two projects are completely different," he said.

Much more ambitious than Alcoa's proposals, Pechiney's $1.2bn-$1.3bn plan calls for the complete reconstruction of the plant in three stages with modern, less polluting technology.

Mr Vasilyev said Alcoa, one of the world's biggest aluminium producers, was considering acquiring a 20 per cent stake in the plant. But the decision to sell these shares – held by the state – would not be taken soon.

The state property committee and federal property fund last week ordered a temporary halt to selling shares in aluminium plants or registering new owners pending an investigation into share ownership and registration.

This decision came shortly after Transworld, a British firm specialising in metal trading, said its 20 per cent stake in Krasnoyarsk had been crossed off the shareholders' register. But Mr Vasilyev said there was no link between negotiations over Alcoa's modernisation plans and the share issue.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]

■ ALUMINIUM ALLOY ($ per tonne) [illegible]

■ LEAD ($ per tonne) [illegible]

■ NICKEL ($ per tonne) [illegible]

■ TIN ($ per tonne) [illegible]

■ ZINC, special high grade ($ per tonne) [illegible]

■ COPPER, grade A ($ per tonne) [illegible]

■ HIGH GRADE COPPER (COMEX) [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild) [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	383.7	-	383.6	382.1	3	16
Jan	382.7	-1.1	-	-	-	-

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	109.10	+0.65	109.00	108.70	796	78
Mar	110.35	+0.60	110.15	110.00	1,731	25

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

Wool

The Australian market closed 1994 with prices about 60pc higher than when the year began. The rise for wool growers was enough to mean a return to economic production after the extremes of deep recession. The wool trade and textile industry experienced a much more satisfactory year as prices took an upward trend. The problem which developed during the latter half of the year was that of passing on the higher raw wool prices. Lower levels led to better business but when it comes to replacement retailers were reluctant to pay prices up by 50pc to 100pc or for speciality fibres by more than that. Wool is not the only commodity facing this problem of a rising market as the primary end but resistance further down the line, closely related to policies designed to check inflation. The outlook for 1995 is seen as difficult largely for this reason.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	972	-10	994	972	1,070	57
Mar	984	-2	995	980	43,574	882

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	77.10	+0.15	77.15	76.80	2,025	151
Dec	72.95	-0.02	72.95	72.72	8,366	686
Mar	73.65	+0.05	-	-	110	25
Total					65,248	7,734

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	106.80	-1.25	108.00	105.30	5,584	8
Mar	111.30	-1.25	112.75	109.95	13,904	2,933
May	114.50	-1.50	116.25	113.25	2,149	253
Jul	117.50	-1.50	117.50	116.50	1,044	2
Sep	120.25	-1.50	120.25	119.00	2,424	1
Nov	119.25	-1.50	-	-	1,679	-
Total					27,555	3,185

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec. 29	Dec. 28	month ago	year ago
2240.8	2234.6	2148.3	1681.7

■ CRB Futures (Base: 1967=100)

Dec. 28	Dec. 27	month ago	year ago
236.82	236.19	229.34	226.56

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	71.275	+0.075	71.325	70.925	32,798	4,091
Apr	71.950	+0.200	72.000	71.500	23,851	2,019

■ LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME [illegible]

■ COPPER (Grade A) LME [illegible]

■ COFFEE LCE [illegible]

■ COCOA LCE [illegible]

■ BRENT CRUDE IPE [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb) [illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne) [illegible]

■ OTHER

		+or-
Gold (per troy oz)♣	[illegible]	+2.30
Silver (per troy oz)♣	[illegible]	+10.0
Platinum (per troy oz.)	[illegible]	+1.50
Palladium (per troy oz.)	[illegible]	+1.15
Copper (US prod.)	[illegible]	
Lead (US prod.)	[illegible]	
Tin (Kuala Lumpur)	[illegible]	
Tin (New York)	[illegible]	
Cattle (live weight)	[illegible]	
Sheep (live weight)†	[illegible]	
Pigs (live weight)	[illegible]	
Lon. day sugar (raw)	[illegible]	
Lon. day sugar (wte)	[illegible]	
Tate & Lyle export	[illegible]	
Barley (Eng. feed)	[illegible]	
Maize (US No3 Yellow)	[illegible]	
Wheat (US Dark North)	[illegible]	
Rubber (Feb)♥	[illegible]	
Rubber (Mar)♥	[illegible]	
Rubber (KL RSS No1 Jul)	[illegible]	
Coconut Oil (Phil)§	[illegible]	
Palm Oil (Malay.)§	[illegible]	
Copra (Phil)§	[illegible]	
Soyabeans (US)	[illegible]	
Cotton Outlook'A' index	[illegible]	
Wooltops (64s Super)	[illegible]	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. [illegible]

CROSSWORD

No.8,647 Set by ANTARES

ACROSS
1 It'll save you travelling often (5,6)
10 Low wall's point is to conceal a crime (7)
11 To love butcher is hard, apparently (7)
12 Demand neatness (5)
13 Sweet thing, but not desirable in bed (5,3)
15 Interior ministry's provision for telecommuter? (4,5)
16 Admittedly genuine (4)
18 Girl to avoid (4)
20 Subsidise sleeping accommodation (7,2)
22 Superfluous to find a way to economise (8)
24 Pansy's instrument (5)
26 Use of emulsion takes secretary an age (7)
27 Crimson vehicle belonging to me (7)
28 Having lost courage, struggle with these in dread (12)

DOWN
2 Terrible ordeal to mark noble rank (7)
3 Great lake, or greater (8)
4 Observe what's wrong with "do re me fa so la do" (4)
5 Lack of resources to produce popular volume (10)
6 Submit name for acceptance by ship (5)
7 Tourist taking hallucinogen? (7)
8 Responsibility of the small, to be in fashion (2-3-3-6)
9 Hustling bicycle salesman? (7-5)
14 Puddings have spread all round chap's face (10)
17 Wayward creature abandoning Cowper over poetry (8)
19 Ed's meat cooked – lightly (7)
21 Newly wed receives decoration with trite remark (7)
23 Yorkshire city is before all others, we hear (5)
25 Muffler almost reveals skin blemish (4)

Solution 8,646

S	A	L	A	D	S		S	L	I	P	S	H	O	D
O		I		R		S		I		A		E		A
M	A	K	E	O	U	T		E	X	P	E	R	T	S
B		E		P		A		S		E		O		H
R	O	A	M		D	I	F	F	E	R	E	N	C	E
E		S		W		D		L		C				D
R	E	H	E	A	R		W	A	L	L	A	C	E	
O		O		S		S		T		I		O		T
	I	T	C	H	I	N	G		S	P	O	N	G	E
S				I		O		F		S		S		R
P	U	T	I	N	A	W	O	R	D		S	T	I	R
E		O		G		E		A		S		A		I
W	O	R	S	T	E	D		N	O	T	A	B	L	E
E		S		O		I		K		A		L		R
D	R	O	W	N	I	N	G		O	R	D	E	R	S

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£34	—	£34	£23½	2,217	2.2	24.9
Barlow	♣	£5½xd	—	£5¾	£3½	1,138	1.8	Φ
Gold Flds Prop R		118xa	—	128	75	12.1	8.0	Φ
MK Props		85	—	98	85	3.82	12.8	–
SASOL	♥	624	—	582	280	3,022	2.7	–
SA Brews	†	£15½	—	£16½	£10	4,319	1.9	23.9
Tiger Oats		763xd	—	838	536	1,147	2.0	17.7
Tongaat-Hulett	†h	725	—	*725	358¼	880.8	2.0	20.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since *reduced*, passed or deferred
- Φ Figures or *report* awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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LONDON SHARE SERVICE

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CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St Peter Port, Guernsey, C.I. 0481 710461

Lazard Select Investment Trust Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 29 / Sch)

BELGIUM/LUXEMBOURG (Dec 29 / Frs.)

DENMARK (Dec 29 / Kr)

FINLAND (Dec 29 / Mks)

FRANCE (Dec 29 / Frs.)

GERMANY (Dec 29 / Dm.)

ITALY (Dec 29 / Lire)

NETHERLANDS (Dec 29 / Fls.)

NORWAY (Dec 29 / Kroner)

SPAIN (Dec 29 / Pts.)

SWEDEN (Dec 29 / Kronor)

SWITZERLAND (Dec 29 / Frs.)

PACIFIC

JAPAN (Dec 29 / Yen)

AUSTRALIA (Dec 29 / Aust$)

HONG KONG (Dec 29 / H.K.$)

MALAYSIA (Dec 29 / MYR)

SINGAPORE (Dec 29 / S$)

NORTH AMERICA

CANADA

TORONTO (Dec 29 / Can $)

4 pm close

MONTREAL (Dec 29 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Dec 29 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, December 29, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Pacific Metals	5.4m	560	+27	Toyota Motor	2.6m	2090	+20
Sakai Ovex	5.1m	758	+33	Mitsubishi Heavy	2.6m	757	+7
Nippon Steel	3.5m	373	+1	Nissan Motor	2.5m	817	+15
Konica	3.2m	836	+18	Nissan Soda	2.5m	688	+28
Sumitomo Metal	2.7m	319	+3	Toshiba	2.4m	715	+1

INDICES

	Dec 29	Dec 28	Dec 27	1994 High	1994 Low
Thailand					
Bangkok SET (30/4/75)	1352.89	1363.24	1359.86	1753.73 4/1/94	1186.59 4/4/94
Turkey					
Istanbul Comp.(Jan 1986)	27784.8	27337.3	27171.4	28148.32 2/12/94	12880.70 24/3/94
WORLD					
MS Capital Int (1/1/70)$	617.5*	616.4	617.7	649.90 2/11/94	581.50 4/4/94
CROSS-BORDER					
Eurotrack 100(26/10/90)	1327.46	1346.89	(c)	1540.19 31/1/94	1286.48 5/10/94
Euro Top-100 (26/6/90)	1171.51	1188.06	1194.80	1341.81 2/2/94	1136.48 5/10/94
JCapaDrgos (31/12/86)	(u)	304.46	304.62	385.19 5/1/94	285.48 12/12/94
Barings Emerg.(7/1/92)	155.47	152.30	152.88	191.79 26/8/94	141.85 21/4/94

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1918.0	1892.0	-32.0	1920.0	1883.0	29,667	20,100
Jan	1926.0	1901.0	-31.5	1929.0	1893.0	12,603	17,988
Feb	1927.0	1911.0	-31.5	1927.0	1909.0	201	1,068

Open interest figures for previous day.

... Comp Ex 1024.60. Base values of all Indices are 100 except Australia All Ordinary ... Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & ... Industrials - 264.3, NYSE All Common - 50 and Standard and Poor's - 10. §§ ... /DAX after-hours index: Dec 29 - 2074.86 -32.80.

US INDICES

Dow Jones	Dec 28	Dec 27	Dec 23	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3839.49	3861.69	3833.43	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.06	93.98	93.85	105.61 (21/1/94)	93.61 (28/11/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1435.00	1440.59	1434.54	1862.29 (2/2/94)	1371.88 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.72	182.11	181.19	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3871.45 (3882.21) Low 3816.94 (3832.08) (Theoretical♠)
Day's high 3862.03 (3885.40) Low 3826.38 (3833.43) (Actual♠).

Standard and Poors	Dec 28	Dec 27	Dec 23	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	460.86	462.47	459.83	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	548.94	551.09	547.87	563.19 (28/10/94)	510.05 (21/4/94)	563.19 (28/10/94)	3.62 (21/6/32)
Financial	41.55	41.67	41.59	48.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	251.29	251.99	250.95	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	429.62	429.37	428.78	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	742.46	746.19	742.19	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 23	Dec 16	Dec 9	Year ago
Dow Jones Ind. Div. Yield	2.78	2.80	2.88	2.67
	Dec 28	Dec 21	Dec 14	Year ago
S & P Ind. Div. yield	2.44	2.45	2.47	2.40
S & P Ind. P/E ratio	18.76	18.68	18.40	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	464.20	464.50	+0.20	464.90	463.85	35,794	202,275
Jun	468.60	468.50	+0.15	468.70	468.45	159	7,091
Sep	-	473.60	-	473.70	-	52	2,161

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	11,452,100	41⅝	+3⅝
Toys R Us	4,651,900	30⅝	-3
Wal-Mart	3,741,300	21⅝	+½
RJR Nabisco	3,293,400	5⅝	-⅛
YPF Soc	2,407,200	20⅝	-⅛
Empresa	2,330,100	16½	+¾
K Mart	2,289,800	12⅝	-⅛
Endesa	2,159,200	41⅝	+¼
Gen Motors	2,137,200	41⅝	-¾
Mexico Fd	2,112,500	22⅛	+2⅝

■ TRADING ACTIVITY

● Volume (million)

	Dec 28	Dec 27	Dec 23
New York SE	243.516	211.097	198.409
Amex	17.444	17.848	15.174
NASDAQ	235.024	208.257	193.820
NYSE			
Issues Traded	2,942	2,918	2,911
Rises	858	1,211	1,215
Falls	1,322	1,029	947
Unchanged	762	678	749
New Highs	36	52	27
New Lows	109	128	90

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

CURRENCIES AND MONEY

MARKETS REPORT

Political worries push peseta to record low

Concern that political troubles could prompt the fall of the government yesterday drove the Spanish peseta to a record low, *writes Philip Gawith.*

Spanish markets have been rocked recently by allegations of government involvement in undercover operations against Eta, the Basque separatist group. After touching a low of Pta 85.28 against the D-Mark, the peseta closed in London at Pta 85.15 , from Pta 84.62.

The Italian lira was also a victim of political worries, and general D-Mark strength. It breached the crucial level of L1,050 against the D-Mark, to touch L1,050.10, from L1,045.

In Mexico, by contrast, markets rallied, with interest rates falling and the peso recovering sharply. The peso finished in London at 4.925 pesos, from 5.3 pesos, to the dollar. It was later quoted by Reuters at 4.65/4.8 pesos.

The Canadian dollar continued to weaken, despite reported central bank intervention, finishing at C$1.407 from C$1.403.

The US dollar recovered from its sharp fall on Wednesday afternoon in New York, where it touched lows around DM1.54 and Y98.6, to close at DM1.5507 and Y99.68.

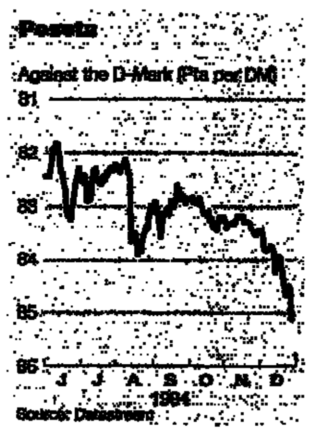
Traders stressed again that liquidity was very poor, and this was accentuating price movements.

■ Mr Felipe Gonzalez, Spain's prime minister, sought to calm markets by saying he would not call an early general election. Arguably, this achieved the reverse effect. Mr Malcolm Barr, international economist at Chemical Bank in London, commented: "This only added to the markets' nervousness because it was seen as a sign of the depths of the crisis. There is a feeling this could be a bit like the Berlusconi investigations which don't end until the roots are traced right to the top."

"The suspicion has been created that Mr Gonzalez and members of his government knew what was going on, and that Gonzalez could be forced to resign if any evidence came to light," said Mr Barr. He said Spanish economic fundamentals were also not that good, "and this sort of development forces the market to reappraise what is going on."

Mr David Williams, European economist at Merrill Lynch, commented: "The basic problem for the peseta moving forward is that Spain's extremely high propensity to import, coupled with a gradual loss of cost competitiveness, points to a trend deterioration in the current account."

The Bank of Spain has said it will defend the value of the peseta, and economists believe that if it weakens to around Pta 86/86.5, the bank will be forced to raise interest rates.



■ The catalyst for the peso's appreciation was news that that the US is working with Mexico on a credit facility to stop the currency's recent fall.

A US Treasury official said also that Mexico had not drawn on the $7bn currency support line provided to it by the US and Canada to support the peso.

The official comment followed market rumours which saw the dollar plummet by around three pfennigs and two yen during afternoon New York trade on Wednesday.

■ In France leading commercial banks raised their base rate to 8.25 per cent from 7.95 per cent, but the Bank of France held its intervention rate at 5 per cent.

The intervention rate has been at 5 per cent since May 24. Analysts said the central bank had sought to keep its intervention rate above the German repo rate, which has been at 4.85 per cent since July. French inflation is only 1.6 per cent, but the central bank wishes to keep the franc stable against the D-Mark.

The franc closed unchanged at FFr3.455 against the D-Mark.

■ In the UK short sterling contracts fell by 10-15 basis points. They took their lead from the collapse in gilt prices. Mr Richard Phillips, analyst at brokers, GNI said the tone had been set by heavy selling from two US hedge funds. "It has been a combination of extremely thin markets and some quite lumpy orders."

The March contract finished at 92.52, from 92.66.

Sterling had an erratic day, finishing more than a pfennig lower against the D-Mark, at DM2.4183, from DM2.4309. Against the dollar it was up by 1½ cents, at $1.5595, from $1.5447.

The Bank of England provided UK money markets with £706m assistance, after declaring a £800m daily shortage.

■ **Pound in New York**

Dec 29	Latest	Prev. close
£ spot	1.5595	1.5700
1 mth	1.5592	1.5699
3 mth	1.5591	1.5699
1 yr	1.5577	1.5694

■ **OTHER CURRENCIES**

Dec 29	£	$
Hungary	176.494 - 176.784	113.210 - 113.310
Iran	2725.13 - 2729.12	1748.00 - 1750.00
Kuwait	0.4668 - 0.4683	0.2994 - 0.3002
Poland	38117.5 - 38196.6	24450.0 - 24485.0
Russia	5531.50 - 5537.78	3547.00 - 3551.00
U.A.E.	5.7254 - 5.7299	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Dec 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	17.0274	-0.0866	180 - 368	17.3942	16.9943	17.0136	1.0	16.973	1.3	-	-	115.8
Belgium	(BFr)	49.7044	-0.245	807 - 281	50.5900	49.6600	49.6744	0.7	49.5694	1.1	48.9894	1.4	117.6
Denmark	(DKr)	9.4986	-0.0424	912 - 020	9.5406	9.4891	9.4933	0.4	9.5006	-0.2	9.4673	0.3	116.9
Finland	(FM)	7.3933	+0.0168	826 - 039	7.4140	7.3320	-	-	-	-	-	-	88.9
France	(FFr)	8.3527	-0.0472	492 - 561	8.3969	8.3484	8.354	-0.2	8.3485	0.2	8.2951	0.7	110.0
Germany	(DM)	2.4183	-0.0126	169 - 196	2.4319	2.4149	2.4167	0.8	2.4121	1.0	2.3778	1.7	127.1
Greece	(Dr)	375.060	-0.985	784 - 336	376.754	372.544	-	-	-	-	-	-	-
Ireland	(I£)	1.0099	-0.0003	091 - 107	1.0245	1.0064	1.0101	-0.2	1.0091	0.3	1.008	0.2	105.1
Italy	(L)	2537.15	-3.49	556 - 874	2544.19	2528.18	2543.15	-2.8	2552.85	-2.5	2602.05	-2.6	72.8
Luxembourg	(LFr)	49.7044	-0.245	807 - 281	50.5900	49.6600	49.6744	0.7	49.5694	1.1	48.9894	1.4	117.6
Netherlands	(Fl)	2.7067	-0.0138	070 - 103	2.7276	2.7042	2.7069	0.8	2.7017	1.0	2.6649	1.6	121.4
Norway	(NKr)	10.5610	-0.0477	552 - 667	10.6178	10.5482	10.5613	0.0	10.5599	0.0	10.551	0.1	88.3
Portugal	(Es)	249.052	-0.795	816 - 288	252.975	248.476	249.872	-4.0	251.347	-3.7	-	-	-
Spain	(Pta)	205.901	+0.136	757 - 045	207.933	205.278	206.261	-2.1	206.981	-2.1	210.241	-2.1	84.3
Sweden	(SKr)	11.6061	+0.017	946 - 176	11.6579	11.5271	11.6231	-1.8	11.6556	-1.7	11.7746	-1.5	75.8
Switzerland	(SFr)	2.0469	-0.0053	454 - 483	2.0600	2.0418	2.0434	2.1	2.0367	2.0	1.9913	2.7	121.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.6
Ecu	-	1.2731	-0.0053	724 - 738	1.2958	1.2720	1.2732	-0.1	1.2734	-0.1	1.2658	0.6	-
SDR†	-	0.936632	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5598	+0.0148	590 - 602	1.5703	1.5514	-	-	-	-	-	-	-
Brazil	(R)	1.3217	+0.001	205 - 229	1.3348	1.3147	-	-	-	-	-	-	-
Canada	(C$)	2.1941	+0.027	930 - 952	2.2074	2.1808	2.1945	-0.2	2.1955	-0.3	2.2053	-0.5	84.2
Mexico (New Peso)		7.6806	-0.5061	612 - 000	7.8050	7.4138	-	-	-	-	-	-	-
USA	($)	1.5595	+0.0148	590 - 600	1.5703	1.5512	1.5593	0.2	1.5592	0.1	1.5577	0.1	63.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0075	+0.0219	062 - 088	2.0285	1.9951	2.0094	-1.1	2.0138	-1.3	2.0432	-1.8	-
Hong Kong	(HK$)	12.0678	+0.1127	631 - 724	12.1529	12.0040	12.0138	5.4	12.0133	1.8	12.0283	0.3	-
India	(Rs)	48.9488	+0.4371	253 - 723	49.3110	48.8960	-	-	-	-	-	-	-
Japan	(Y)	155.451	+0.406	354 - 548	156.380	154.910	154.931	4.0	153.856	4.1	148.001	4.8	188.8
Malaysia	(M$)	3.9925	+0.0343	904 - 945	4.0184	3.8711	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4273	+0.0252	246 - 299	2.4440	2.4147	2.4337	-3.1	2.4458	-3.0	2.4839	-2.3	-
Philippines	(Peso)	38.0519	+0.2234	278 - 760	38.3775	37.5450	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8501	+0.0561	478 - 523	5.8899	5.8186	-	-	-	-	-	-	-
Singapore	(S$)	2.2797	+0.0174	782 - 812	2.2953	2.2680	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5296	+0.0303	267 - 325	5.5785	5.5037	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3628	+0.0374	451 - 804	6.4068	6.3107	-	-	-	-	-	-	-
South Korea	(Won)	1230.84	+10.33	038 - 131	1240.69	1224.36	-	-	-	-	-	-	-
Taiwan	(T$)	41.1521	+0.3011	295 - 746	41.5258	40.9424	-	-	-	-	-	-	-
Thailand	(Bt)	39.1201	+0.3007	919 - 482	39.4600	38.9350	-	-	-	-	-	-	-

†SDR rates for Dec 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.9185	-0.161	160 - 210	11.0875	10.9140	10.911	0.8	10.8945	0.9	10.797	1.1	104.6
Belgium	(BFr)	31.8720	-0.465	670 - 770	32.2800	31.8670	31.8495	0.8	31.782	1.1	31.417	1.4	106.4
Denmark	(DKr)	6.0895	-0.086	880 - 910	6.1338	6.0852	6.0907	-0.2	6.0905	-0.1	6.077	0.2	105.1
Finland	(FM)	4.7408	-0.0347	355 - 461	4.7606	4.6817	4.7388	0.6	4.7353	0.5	4.7183	0.5	83.9
France	(FFr)	5.3560	-0.082	555 - 565	5.3994	5.3340	5.3548	0.3	5.3528	0.2	5.3205	0.7	105.8
Germany	(D)	1.5507	-0.023	503 - 510	1.5629	1.5447	1.5496	0.9	1.5465	1.1	1.525	1.7	107.4
Greece	(Dr)	240.500	-2.95	400 - 600	242.020	238.900	243	-12.5	247.95	-12.4	265.25	-10.3	68.4
Ireland	(I£)	1.5443	+0.0151	435 - 450	1.5461	1.5333	1.5443	-0.4	1.5449	-0.1	1.5461	-0.1	-
Italy	(L)	1626.90	-17.9	640 - 740	1636.50	1617.00	1630.65	-2.8	1636.9	-2.5	1669.4	-2.6	73.4
Luxembourg	(LFr)	31.8720	-0.465	670 - 770	32.2800	31.8670	31.8495	0.8	31.782	1.1	31.417	1.4	106.4
Netherlands	(Fl)	1.7369	-0.0256	364 - 374	1.7496	1.7308	1.7357	0.9	1.7322	1.1	1.7092	1.6	105.9
Norway	(NKr)	6.7720	-0.096	705 - 735	6.8209	6.7485	6.7722	0.0	6.7745	-0.1	6.712	0.9	96.2
Portugal	(Es)	159.700	-2.05	600 - 800	160.560	159.600	160.325	-4.7	161.45	-4.4	165.45	-3.6	95.0
Spain	(Pta)	132.030	-1.18	980 - 080	133.120	131.980	132.255	-2.0	132.715	-2.1	134.88	-2.2	79.7
Sweden	(SKr)	7.4422	-0.0806	372 - 472	7.4941	7.3550	7.4534	-1.8	7.4747	-1.7	7.5572	-1.5	81.4
Switzerland	(SFr)	1.3125	-0.0161	120 - 130	1.3233	1.3045	1.3102	2.1	1.3058	2.0	1.277	2.7	108.7
UK	(£)	1.5595	+0.0148	590 - 600	1.5703	1.5512	1.5593	0.2	1.5592	0.1	1.5577	0.1	87.7
Ecu	-	1.2250	+0.0167	247 - 252	1.2256	1.2183	1.2248	0.2	1.2245	0.1	1.2315	-0.5	-
SDR†	-	1.44897	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0000	1.0001	-	-	-	-	-	-	-
Brazil	(R)	0.8475	-0.0075	470 - 480	0.8510	0.8470	-	-	-	-	-	-	-
Canada	(C$)	1.4070	+0.004	067 - 072	1.4070	1.4043	1.4072	-0.1	1.409	-0.6	1.418	-0.8	81.3
Mexico (New Peso)		4.9250	-0.375	500 - 000	5.0000	4.7500	4.926	-0.2	4.9278	-0.2	4.9352	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2872	+0.0018	868 - 876	1.2889	1.2848	1.2879	-0.7	1.2897	-0.8	1.3026	-1.2	92.4
Hong Kong	(HK$)	7.7382	-0.0015	377 - 387	7.7392	7.7377	7.7362	0.3	7.735	0.2	7.7427	-0.1	-
India	(Rs)	31.3875	-0.0188	825 - 925	31.4150	31.3825	31.4575	-2.7	31.6025	-2.7	-	-	-
Japan	(Y)	99.6800	-0.695	500 - 100	100.030	99.3000	99.34	4.1	98.64	4.2	94.895	4.8	149.0
Malaysia	(M$)	2.5601	-0.0024	596 - 606	2.5621	2.5590	2.5571	1.4	2.5526	1.2	2.5806	-0.8	-
New Zealand	(NZ$)	1.5564	+0.0014	552 - 576	1.5578	1.5556	1.5573	-0.7	1.5598	-0.9	1.5688	-0.8	-
Philippines	(Peso)	24.4000	-0.09	000 - 000	24.6000	24.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7513	+0.0008	510 - 515	3.7515	3.7510	3.7549	-1.1	3.7618	-1.1	3.7763	-0.7	-
Singapore	(S$)	1.4618	-0.0028	613 - 623	1.4630	1.4613	1.4603	1.3	1.4568	1.4	1.4403	1.5	-
S Africa (Com.)	(R)	3.5458	-0.0145	450 - 465	3.5525	3.5385	3.5613	-5.2	3.5934	-5.4	3.7583	-6.0	-
S Africa (Fin.)	(R)	4.0800	-0.015	700 - 900	4.0900	4.0620	4.108	-8.2	4.1525	-7.1	4.39	-7.6	-
South Korea	(Won)	789.250	-0.9	200 - 300	789.800	789.200	792.25	-4.6	795.75	-3.3	814.25	-3.2	-
Taiwan	(T$)	26.3880	-0.0588	820 - 940	26.4240	26.3820	26.408	-0.9	26.448	-0.9	-	-	-
Thailand	(Bt)	25.0850	-0.0465	750 - 950	25.0980	25.0720	25.1145	-1.4	25.2055	-1.9	25.61	-2.1	-

†SDR rate for Dec 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 28. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5¼	5⅝	5⅝	5⅞	6¼	7.40	4.50	-
week ago	5¼	5⅝	5½	5⅝	6⅛	7.40	4.50	-
France	5⅛	5⅝	6¼	6⅝	7⅛	5.00	-	5.75
week ago	5⅛	5⅝	6⅛	6⅛	6⅞	5.00	-	5.75
Germany	5.05	5.20	5.20	5.40	5.80	6.00	4.50	4.85
week ago	4.83	5.23	5.40	5.60	5.83	6.00	4.50	4.85
Ireland	5⅛	5⅞	6⅛	6⅞	7⅞	-	-	6.25
week ago	5⅛	5⅞	6⅛	6⅞	7⅛	-	-	6.25
Italy	8⅛	8⅝	8⅞	9⅝	10⅛	-	7.50	8.20
week ago	8⅛	8⅝	9	9⅝	10⅛	-	7.50	8.20
Netherlands	4.84	5.31	5.37	5.67	6.06	-	5.25	-
week ago	4.84	5.31	5.43	5.58	5.94	-	5.25	-
Switzerland	3⅝	4	4⅛	4½	4⅞	6.625	3.50	-
week ago	3⅞	4	4⅛	4⅛	4⅞	6.625	3.50	-
US	5⅝	5⅞	6⅛	6⅞	7⅞	-	4.75	-
week ago	5½	6¼	6¼	6¾	7½	-	4.75	-
Japan	2¼	2⅛	2⅛	2⅛	2⅞	-	1.75	-
week ago	2¼	2⅛	2⅛	2⅛	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	6½	7	7¾	-	-	-
week ago	-	6⅛	6⅛	6⅞	7⅛	-	-	-
US Dollar CDs	-	5.66	6.12	6.67	7.45	-	-	-
week ago	-	5.51	5.95	6.49	7.28	-	-	-
SDR Linked Ds	-	4¾	4⅞	5¼	5⅛	-	-	-
week ago	-	4¾	4⅞	5¼	5⅛	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5⅝; 6 mths: 6 ; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 5/16 - 5 3/16	5⅜ - 5¼	5 7/16 - 5 5/16	5½ - 5⅜	5¾ - 5⅝	6⅜ - 6¼
Danish Krone	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	5 - 4¾	5⅛ - 5	5⅛ - 5	5¼ - 5⅛	5½ - 5⅜	6 - 5⅞
Dutch Guilder	5 5/16 - 5 3/16	5⅛ - 5 1/16	5⅛ - 5 1/16	5 5/16 - 5¼	5 9/16 - 5 7/16	6 - 5 15/16
French Franc	5⅝ - 5¼	5 7/16 - 5 5/16	5⅝ - 5½	6 1/16 - 5 15/16	6 7/16 - 6 5/16	6 15/16 - 6 13/16
Portuguese Esc.	9 - 8⅞	9¼ - 8¾	10 3/16 - 9⅞	10 13/16 - 10⅜	11¼ - 10¾	11⅛ - 10¾
Spanish Peseta	7½ - 7⅜	7 13/16 - 7 11/16	8 5/16 - 8 3/16	8½ - 8⅜	9⅛ - 9	9⅞ - 9¾
Sterling	6½ - 5¾	5½ - 5¼	6⅛ - 6	6 9/16 - 6 7/16	7 3/16 - 7 1/16	7 13/16 - 7 11/16
Swiss Franc	5⅝ - 5⅛	3¾ - 3½	3 13/16 - 3 11/16	4¼ - 4⅛	4½ - 4⅜	4¾ - 4⅝
Can. Dollar	5½ - 5⅜	5 13/16 - 5⅝	6 1/16 - 5 15/16	7⅛ - 7	8 - 7⅞	8¾ - 8⅝
US Dollar	6⅛ - 6⅝	5 13/16 - 5 11/16	6 - 5⅞	6½ - 6⅜	7 - 6⅞	7¾ - 7⅝
Italian Lira	9 - 7½	8⅝ - 8¼	8¾ - 8⅝	9⅛ - 9	9¾ - 9⅝	10 9/16 - 10 7/16
Yen	2⅛ - 2 1/16	2 5/16 - 2 3/16	2⅜ - 2¼	2⅜ - 2 5/16	2 13/16 - 2 11/16	2 11/16 - 2⅝
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	4 7/16 - 4 5/16	4 9/16 - 4 7/16	4 13/16 - 4 11/16	4 13/16 - 4 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.15	93.13	-0.07	93.19	93.11	12,160	50,208
Jun	92.88	92.83	-0.06	92.89	92.80	3,830	48,463
Sep	92.64	92.63	-	92.65	92.59	4,447	30,190
Dec	92.44	92.42	-0.05	92.47	92.41	2,553	18,702

■ **THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.78	92.77	-0.05	92.80	92.78	200	1456
Jun		91.99	-0.08			0	443
Sep		91.68	-0.08			0	177
Dec		91.47	-0.10			0	0

■ **THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.44	94.38	-0.07	94.48	94.38	21113	210264
Jun	94.08	93.99	-0.10	94.10	93.99	11758	135458
Sep	93.70	93.61	-0.10	93.70	93.61	4799	83002
Dec	93.33	93.24	-0.10	93.33	93.24	1991	62217

■ **THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.89	89.82	-0.09	89.89	89.81	4509	32837
Jun	89.36	89.34	-0.05	89.39	89.33	630	19775
Sep	89.14	89.11	-0.06	89.15	89.11	88	21429
Dec	88.95	88.94	-0.06	88.95	88.94	18	15523

■ **THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.53	95.49	-0.02	95.53	95.48	2111	19096
Jun	95.20	95.19	-0.08	95.20	95.18	102	7491
Sep	95.00	94.99	-0.02	95.00	95.00	20	4579
Dec	94.76	94.76	-0.05	94.76	94.76	1	1727

■ **THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.25	93.16	-0.11	93.26	93.16	948	8888
Jun	92.87	92.76	-0.11	92.87	92.76	212	4945
Sep	92.46	92.38	-0.10	92.46	92.38	48	2784
Dec	92.10	92.10	-0.05	92.10	92.10	5	1364

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.11	16.81	4.865	2.030	5105	5.449	21.25	501.2	414.3	23.36	4.119	2.012	4.414	3.137	312.9	2.561
Denmark	(DKr)	52.33	10	8.795	2.546	1.062	2671	2.851	11.12	262.3	216.8	12.22	2.155	1.053	2.310	1.642	163.7	1.340
France	(FFr)	59.50	11.37	10	2.895	1.208	3037	3.242	12.64	298.2	246.5	13.90	2.451	1.197	2.627	1.866	186.2	1.524
Germany	(DM)	20.55	3.928	3.455	1	0.417	1049	1.120	4.367	103.0	85.15	4.801	0.847	0.414	0.907	0.645	64.31	0.526
Ireland	(I£)	49.26	9.412	8.278	2.396	1	2514	2.684	10.47	246.9	204.1	11.51	2.029	0.991	2.174	1.545	154.1	1.262
Italy	(L)	1.959	0.374	0.329	0.095	0.040	100.	0.107	0.416	9.819	8.116	0.458	0.081	0.039	0.086	0.061	6.129	0.050
Netherlands	(Fl)	18.35	3.507	3.085	0.893	0.373	936.9	1	3.900	91.99	76.03	4.287	0.756	0.369	0.810	0.576	57.42	0.470
Norway	(NKr)	47.06	8.993	7.910	2.290	0.955	2402	2.564	10	235.9	195.0	10.99	1.938	0.947	2.078	1.476	147.3	1.205
Portugal	(Es)	19.95	3.813	3.353	0.971	0.405	1018	1.087	4.239	100.	82.66	4.661	0.822	0.401	0.881	0.626	62.42	0.511
Spain	(Pta)	24.14	4.612	4.057	1.174	0.490	1232	1.315	5.129	121.0	100.	5.639	0.994	0.486	1.066	0.757	75.52	0.618
Sweden	(SKr)	42.81	8.180	7.195	2.083	0.869	2185	2.332	9.096	214.6	177.3	10	1.763	0.861	1.890	1.343	133.9	1.096
Switzerland	(SFr)	24.28	4.639	4.081	1.181	0.493	1239	1.323	5.159	121.7	100.6	5.672	1	0.489	1.072	0.762	75.96	0.622
UK	(£)	49.70	9.497	8.353	2.418	1.009	2537	2.706	10.56	249.1	205.9	11.61	2.047	1	2.194	1.559	155.5	1.273
Canada	(C$)	22.65	4.329	3.807	1.102	0.460	1156	1.234	4.813	113.5	93.85	5.292	0.933	0.456	1	0.711	70.88	0.580
US	($)	31.88	6.092	5.358	1.551	0.647	1627	1.737	6.774	159.8	132.1	7.447	1.313	0.641	1.407	1	99.74	0.817
Japan	(Y)	31.96	6.107	5.372	1.555	0.649	1632	1.741	6.791	160.2	132.4	7.466	1.316	0.643	1.411	1.003	100.	0.819
Ecu		39.04	7.460	6.562	1.899	0.793	1993	2.127	8.295	195.7	161.7	9.120	1.608	0.786	1.723	1.225	122.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES (IMM) DM 125,000 per DM**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6492	0.6444	-0.0053	0.6509	0.6411	48,280	71,553
Jun	0.6472	0.6474	-0.0053	0.6485	0.6469	404	1,958
Sep	0.6500	0.6500	-0.0056	0.6500	0.6500	2	139

■ **JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0170	1.0103	-0.0063	1.0175	1.0080	20,697	69,102
Jun	1.0240	1.0236	-0.0057	1.0252	1.0236	151	3,845
Sep	-	1.0429	+0.0121	-	-	1	326

■ **SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7704	0.7636	-0.0078	0.7712	0.7595	19,178	36,707
Jun	0.7685	0.7694	-0.0072	0.7705	0.7685	62	650
Sep	-	0.7755	-	-	0.7755	1	54

■ **STERLING FUTURES (IMM) £62,500 per £**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5732	1.5586	-0.0164	1.5732	1.5520	19,341	58,167
Jun	1.5550	1.5580	-0.0170	1.5580	1.5550	40	524
Sep	-	1.5550	-	-	1.5550	5	4

UK INTEREST RATES

LONDON MONEY RATES

Dec 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 4½	5⅝ - 5¼	6⅛ - 5⅞	6⅝ - 6⅜	7 3/16 - 7	8 - 7¾
Sterling CDs	-	-	6 1/16 - 5 15/16	6½ - 6⅜	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Treasury Bills	-	-	5 13/16 - 5⅞	6¼ - 6⅛	-	-
Bank Bills	-	-	6 - 5⅞	6 5/16 - 6 3/16	6⅞ - 6¾	-
Local authority deps.	5 3/16 - 5 1/16	5 5/16 - 5 1/16	5 15/16 - 5 11/16	6 7/16 - 6 5/16	7 - 6⅞	7 13/16 - 7 11/16
Discount Market deps	6¼ - 4¼	5⅜ - 5¼	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.8351pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Dec 1, 1994

■ **THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.65	92.53	-0.13	92.65	92.52	14756	92868
Jun	91.96	91.83	-0.14	91.96	91.82	3448	63589
Sep	91.46	91.33	-0.15	91.46	91.33	2134	60222
Dec	91.16	91.04	-0.14	91.16	91.04	788	44864

Traded on APT. All Open Interest figs. are for previous day.

■ **SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.25	0.17	0.15	0.23	0.84	1.32
9275	0.14	0.11	0.10	0.36	1.03	1.52
9300	0.07	0.07	0.06	0.54	1.24	1.73

Est. vol. total, Calls 3870 Puts 3472. Previous day's open int., Calls 79927 Puts 78808

EMS EUROPEAN CURRENCY UNIT RATES

Dec 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13306	-0.00352	-2.90	8.05	-
Germany	1.94964	1.90469	-0.00287	-2.31	7.40	-
Belgium	40.2123	39.1530	-0.0478	-2.63	7.76	19
Ireland	0.808628	0.795019	+0.002083	-1.68	6.72	11
Denmark	7.43679	7.48101	-0.00427	0.59	4.30	-4
France	6.53883	6.58346	-0.00553	0.68	4.21	-6
Portugal	192.854	195.918	-0.092	1.59	3.28	-11
Spain	154.250	161.841	+0.399	4.92	0.00	-34
NON ERM MEMBERS						
Greece	264.513	295.126	+0.087	11.57	-5.96	-
Italy	1793.19	1995.60	+4.2	11.29	-5.72	-
UK	0.786749	0.787706	+0.004765	0.12	4.79	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)**

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.500	5.81	5.95	6.25	-	0.17	0.51
1.525	3.45	3.86	4.34	0.10	0.57	1.07
1.550	1.54	2.22	2.78	0.64	1.36	1.96
1.575	0.43	1.08	1.69	2.02	2.65	3.25
1.600	0.06	0.44	0.92	4.09	4.50	4.95
1.625	-	0.14	0.45	6.49	6.67	6.98

Previous day's vol., Calls 11,763 Puts 24,250 . Prev. day's open int., Calls 220,643 Puts 233,523

■ **THREE MONTH EURODOLLAR (IMM) $1m points of 100%**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	92.80	92.77	-0.01	92.81	92.77	79,419	472,176
Jun	92.03	91.96	-0.05	92.05	91.96	63,636	347,624
Sep	91.74	91.68	-0.05	91.75	91.64	38,251	282,427

■ **US TREASURY BILL FUTURES (IMM) $1m per 100%**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.41	93.42	-	93.42	93.40	1,407	15,719
Jun	92.63	92.65	-0.02	92.66	92.63	148	3,704
Sep	-	92.32	-0.04	-	92.32	474	1,008

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS (LIFFE) DM1m points of 100%**

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9425	0.18	0.23	0.25	0.19	0.05	0.10	0.12	0.45
9450	0.05	0.09	0.12	0.11	0.17	0.21	0.24	0.62
9475	0.01	0.03	0.05	0.05	0.38	0.40	0.42	0.81

Est. vol. total, Calls 516 Puts 1745. Previous day's open int., Calls 119711 Puts 154697

■ **EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%**

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9525	0.31	0.25	0.24	0.07	0.31	0.50
9550	0.16	0.15	0.15	0.17	0.46	0.66
9575	0.06	0.06	0.08	0.36	0.64	0.85

Est. vol. total, Calls 160 Puts 100. Previous day's open int., Calls 1460 Puts 1605

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	●United Bk of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	● Members of London Investment Banking Association	
Barclays Bank	6.25	C. Hoare & Co	6.25	* In administration	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
CL Bank Nederland	6.25	●Leopold Joseph & Sons	6.25		
Citibank NA	6.25	Lloyds Bank	6.25		
Clydesdale Bank	6.25	Meghraj Bank Ltd	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	●Mount Banking	6.25		
Credit Lyonnais	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	●Rea Brothers	6.25		

DONGYANG DRAGON TRUST
International Depositary Receipts (IDR) evidencing Beneficial Certificates representing 1,000 Units

Notice is hereby given to the Unitholders that DongYang Investment Trust Co. has declared a distribution of Won 203,000 per IDR of 1,000 units payable on December 16, 1994 in the Republic of Korea.

Payments of coupons No. 1 of the International Depositary Receipts will be made on or after January 20, 1995 in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York:
- Brussels, 35 Avenue des Arts
- New York, 60 Wall Street
- London, 60 Victoria Embankment
- Frankfurt, 44-46 Mainzer Landstrasse
- Zurich, 38 Stockerstrasse

The amount of dollars shall be the net proceeds of the sale of the amount of won at the telegraphic transfer selling rate quoted by a Korean Exchange Bank in the Republic of Korea on the day of remittance by the manager and will be distributed to the Unitholders in proportion to their respective entitlements after deduction of all taxes and charges of the Depositary.

Holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate (see table herebelow) of the Korean non-resident withholding tax, on condition they furnish either to the Depositary or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the Certificate of Incorporation or a copy of the passport for individuals. Those documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 26.875 pct Korean non-resident withholding tax will be retained.

Table: Withholding income tax rates applicable to holders, non residents in the Republic of Korea

Tax rate (%)	Resident of
5	Mongolia
10	Hungary, Poland
12	Japan
12.5	Pakistan
15	Australia, Austria, Bangladesh, Belgium, Brazil, Denmark, Egypt, Finland, France, Germany, Indonesia, Ireland, Italy, Luxembourg, Malaysia, Netherlands, New Zealand, Norway, Singapore, Sri Lanka, Sweden, Switzerland, Tunisia, United Kingdom
16.125	Canada, U.S.A. Philippines
20	India, Turkey
26.875	Thailand

If any distribution by the Trust shall remain unclaimed at the expiration of five years from the date on which this distribution first became payable, all rights of IDR Holders to such distribution or the proceeds of sale thereof shall be extinguished, and the Depositary shall return the same to the Trust.

Depositary: Morgan Guaranty Trust Company of New York
35 Avenue des Arts, 1040 Brussels

JP Morgan

Correction Notice

THE STARS PROGRAMME STARS 1 PLC
£475,000,000 Class A Floating Rate Mortgage Backed Securities 2029

Notice is hereby given that the Rate of Interest has been fixed at 6.85% and that the interest payable on the relevant Interest Payment Date March 27, 1995 against Coupon No. 17 in respect of £10,000 nominal of the Notes will be £142.47.

December 30, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

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4 pm close December 29

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29	17½	SnDgGE	1.52	7.7	16	413	19¾	19½	19⅝	+⅛
10	7½	SantaFeERs	0.16	2.0	9	981	8¼	8⅛	8⅛	-⅛
17⅞	12¼	SFeGs			27	9798	13¼	13	13⅛	-⅛
30½	30⅛	SFePPipe	2.80	8.4	8	55	u33½	33¼	33⅜	+⅛
38¼	12⅛	SanFeP	0.10	0.6	14	1755	17½	17⅜	17½	+⅛
28	19⅝	SaraLee	0.68	2.7	54	3086	25⅝	25¼	25¼	-⅜
50⅛	41	Scana Corp	2.82	6.7	12	62	42⅛	41⅞	42⅛	+⅛
20½	12½	Scecrp	1.00	6.7		924590	15⅛	14¾	14⅞	-¼
45½	31¼	SchererRP			30	980	u45½	44½	45½	+1¼
76⅞	54½	SchrPl	2.04	2.7	15	2228	74⅞	74¼	74½	
63	50	Schlmb	1.20	2.4	24	4538	51¼	50⅝	50⅝	-⅝
37	23¼	Schwab(C)	0.28	0.8	15	587	35⅝	35¼	35⅜	-¼
10¾	6⅞	Schweitzer			7	337	7⅞	7¾	7¾	-⅛
22¾	12½	SciAtl	0.06	0.3	36	1228	20⅝	20	20⅝	+¼
18¾	13	Scotsmn	0.10	0.6	12	85	17⅛	17	17⅛	
78⅝	37¼	ScottP	0.80	1.2	21	982	69	68¾	68⅞	-⅛
28⅝	18½	ScudderNAsF	0.02	0.1		224	20¾	20⅛	20¾	+¼
12⅝	8¼	ScudderNEuF	0.16	1.8		491	9	8¾	8¾	
18¼	12	SeaCnB	0.70	5.2	8	10	13½	13½	13½	+⅛
18½	14¼	SeaC1.4625	1.46	9.4		z100	15⅝	15⅝	15⅝	+⅛
24⅞	22⅞	S'gate			8	3382	24	23¾	24	+½
32⅞	26¼	Seagrm	0.60	2.0	14	1448	29¾	29½	29⅝	
29¾	17⅞	Seagull En			32	1380	19½	18⅞	19¼	+⅝
38¼	28⅝	Sealed Air			20	34	35⅛	34⅞	34⅞	-¼
58⅛	42⅛	SearsR	1.60	3.6	13	5752	45⅝	44½	44½	-⅝
13¾	9¼	Seligm Sel	0.84	8.1		170	10½	10¼	10⅝	
38¾	26	Sensormat	0.22	0.6	29	1763	35¼	34¾	35¼	+½
38¾	17⅝	SequaA	0.60	2.4	9	105	26½	25¼	25⅜	+⅛
40¼	21	SequaB	0.50	1.8	14	10	27¼	27	27¼	+⅝
28	22½	SercCp	0.42	1.5	18	1165	27¾	27⅝	27¾	
28⅞	21½	SvMstr	0.92	3.9	13	415	23⅞	23⅛	23⅞	+½
25	12⅞	Shaw Ind	0.22	1.5	16	3700	14⅞	14⅝	14⅞	+⅛

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AMEX COMPOSITE PRICES

4 pm close December 29

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NASDAQ NATIONAL MARKET

4 pm close December 29

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4 pm close December 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅝	11⅞	AAR	0.48	3.8	22	146	13	12½	12½	-⅜
19⅞	12⅝	A L Labs A	0.18	0.9	45	308	u19⅞	19½	19⅞	
79⅞	57⅝	AMP	1.68	2.3	22	573	73½	72¾	73⅝	+⅞
72¾	48⅛	AMR			112	3762	63⅛	62⅝	62⅞	+¼
5	3⅝	ARX			12	95	3⅞	3¾	3⅞	
56⅛	38⅝	ASA	2.00	4.4	30	1200	45½	44⅞	45⅝	+⅛
33⅞	25⅛	AbbtL	0.76	2.3	18	6828	33	32⅝	33	
15⅛	11⅞	AbitIbi Pr	0.50	3.7	12	14	13⅞	13⅝	13⅝	
23⅞	17¾	ABM Ind	0.60	2.6	14	38	23½	23⅛	23⅛	-⅛
18	11⅛	Acptncln			11	216	14⅝	14⅜	14⅝	+¼
31	20¾	ACE Ltd	0.44	2.0	21	387	22⅝	22⅛	22⅝	+⅛
12½	9	ACM Gvt In	1.09	12.0	6	620	9¼	d9	9⅛	
10⅛	6⅞	ACM GvOpp	0.80	10.8		229	7⅜	7¼	7⅜	
10⅝	6¾	ACM Gvt Sp	0.98	13.2		334	7⅜	7¼	7¼	
12	7⅝	ACM Gvt Se	1.09	13.7		673	8¼	8	8	-⅛
11⅜	7⅞	ACM Man	1.08	13.1		194	8⅞	8¼	8¼	
9¼	7⅝	ACM Mangd	0.72	9.6		275	7⅝	d7½	7½	-⅛
15½	8¾	AcmeCv	0.44	4.2	21	69	10⅜	10¼	10⅜	+⅛
19⅞	8½	Acme Elect			13	212	13	12½	13	+¾
32¾	23	Acordia	0.60	1.8	16	19	u33	32⅝	33	+½
13¾	5¾	Action	0.36	4.1	2	400	8⅞	8⅝	8¾	
18⅞	11¼	Acuson			26	255	16⅝	16¼	16¼	-⅜
16⅞	15½	Adams Expr	0.68	4.4	0	172	15⅝	d15½	15⅝	+⅛
64	48½	Adv Micro	3.00	5.7		29	53	52⅝	52⅞	+½
31¾	16⅞	AdvMic	3.00	12.1	8	8762	24⅞	24⅜	24¾	+⅝
8⅞	5	Advest Grp	0.16	3.1	15	196	5¼	5⅛	5⅛	-⅛
20	15	Advo Inc	0.10	0.6	16	259	17¼	17	17	
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1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
39⅞	29½	Barnes Grp	1.60	4.2	18	6	37⅞	37⅝	37⅞	+⅛
48⅛	37¼	BarnBk	1.64	4.2	8	1462	39¼	38¾	38⅞	+⅛
13	8⅞	BattMt	0.05	0.5	550	9495	11	10⅞	11	+⅜
53⅞	30⅝	Bausch	0.98	2.9	20	1793	34	33⅛	33⅝	-⅛
28¾	21⅝	Baxter	1.05	3.7	45	7331	u28¾	28	28½	+⅜
28⅞	22½	Bay St Gas	1.46	6.2	12	38	23⅞	23¼	23⅞	+⅛
22½	18⅝	Bd Tr 1838	1.72	9.1		70	19⅛	19	19	+⅛
23½	14¾	Bear Strns	0.60	3.9	6	1079	15½	15¼	15½	
50¼	43	BearSSPIA	3.23	7.5		3	43¼	43¼	43¼	
37½	27¾	Bearings	0.72	2.2	18	152	33⅝	33⅜	33⅝	-⅛
32½	23	Beckman In	0.40	1.4	23	122	27⅞	27⅝	27⅞	+⅛
49⅞	34⅛	BectnD	0.82	1.7	15	1585	49	48¼	48⅝	-½
7¾	4⅞	BeldPr	0.38	6.5	11	73	5⅞	5¾	5⅞	+⅛
59⅝	48⅜	BellAtl	2.76	5.5	15	1228	51	50⅛	50⅛	-⅞
22⅞	13¾	Bell In	0.40	1.9	13	41	21	20⅝	20⅝	-¼

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AMTS Program

NATIONAL

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LONDON

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LIMITED

MARKETS LIMITED

Internationale
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November 199

AMERICA

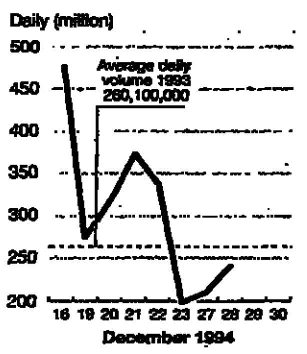
Equities vacillate in thin year-end trading

Wall Street

US share prices were mixed yesterday morning as investors adjusted their portfolios to finish the year, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average had fallen 5.05 at 3,834.44. The more broadly-based Standard & Poor's 500 dropped 0.39 at 460.47, the American Stock Exchange composite rose 0.67 at 430.29 and the Nasdaq composite gained 2.64 at 745.10.

NYSE volume



Volume on the NYSE was 142m shares.

The market was volatile in thin trading. The Dow shot up more than 12 points near the opening bell before turning negative by early afternoon.

There was no apparent reason for market movements on the penultimate day of trading this year because most economic data was generally within the range of economists' forecasts. The index of leading economic indicators rose 0.3 per cent in November, according to the commerce department, although analysts had expected an increase closer to 0.1 per cent.

Initial unemployment claims fell 3,000 to 322,000 for the week ending December 24, according to the labor department. Although not considered among the most important economic indicators, the figures are viewed as a preview of all-important unemployment statistics due out next month.

The bond market, which fell on Wednesday, was mostly flat, in part because it found some support from the dollar which bounced back from Wednesday's lows.

Gibson Greetings, which dropped $¼ at $14¼, announced that it would cut the full-time workforce at its corporate and greeting card division by about 5 per cent, or 128 positions.

Apple Computer gained $⅛ at $39⅜ after reports that a company, partly-owned by Olivetti, had announced a clone of the California-based computer maker's Macintosh model. Other technology shares were also mostly higher. Hewlett-Packard rose $1⅝ at $101½. Dell Computer climbed $1 at $41⅝. Compaq Computer was up $¼ at $39½ and Gateway 2000 rose $¼ at $21⅝. Digital Equipment lost $⅛ at $34¼.

Intel gained $1¼ at $64 after Merrill Lynch increased its estimate of the company's earnings. The news brought up prices of other semiconductor companies, as it suggested that there would be no long-lasting implications from Intel's mishandling of public relations related to a flaw in its Pentium chip. Micron Technology rose $1 at $45⅝ and Analog Devices was up $⅛ at $34⅞.

Telmex continued to rebound. By midday, the stock had risen $⅝ at $41⅞.

Canada

Toronto was weak at noon, depressed by softness in transportation, real estate and financial services. The TSE 300 composite index was down 16.77 at 4,184.75 by midday in very low volume of 15.1m shares. Canadian Imperial Bank of Commerce fell C$⅝ to C$33¼ in moderate midday dealings while Bank of Montreal lost C$½ to C$26 in fairly heavy volume.

Mexico

Talk of a US rescue package for Mexico lifted the peso, and the IPC index recovered another 23.79 to 2,361.51 as 7.49m shares changed hands. Dealers said that window dressing by local mutual funds was part of the process.

Government officials confirmed that the Mexican president, Mr Ernesto Zedillo, plans to announce an "economic restructuring" programme at 2000 local time next Monday, including privatisations, spending cuts and an international aid package.

Brazil

Brazilian shares rose 3.6 per cent in moderate midsession trade, spurred by heavy buying from pension and equity funds squaring portfolios ahead of the year-end.

The Bovespa index was up 1,521 at 43,474 at 1300 local time in turnover of R$148.1m ($174.7m).

Brazilian stock exchanges will be closed today, ahead of the New Year's Day holiday.

Argentina

An early 2.5 per cent rise in Argentina's Merval index suggested that that investors were regaining confidence in the market, after the 17 per cent slide since Tuesday of last week. The Merval climbed 10.77 to 447.74, preceded by a strong advance in Argentina's Brady bonds on Wall Street.

SOUTH AFRICA

Profit-taking and an easier gold price bumped South African shares off their earlier highs in quiet afternoon trade. The overall index gained 17.1 to 5,857.2, industrials were 14.2 firmer at 6,977.2 and golds picked up 38.5 to 2,014.6.

Vaal Reefs put on R8.25 to R370.25 in active trade and Kloof gained R1.40 to R60.75.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Dec. 23 1994	% Change over week	% Change on Dec '93	Local currency terms Dec. 23 1994	% Change over week	% Change on Dec '93
Latin America	(207)	582.94	-15.9	-10.4			
Argentina	(24)	766.45	-9.4	-22.9	470,077.20	-9.3	-23.0
Brazil	(57)	377.66	-11.0	+62.3	1,205,406.980	-10.4	+1,086.2
Chile	(25)	786.72	-1.6	+42.6	1,274.65	-1.5	+33.7
Colombia[1]	(11)	773.27	+2.8	+19.9	1,131.25	+2.4	+22.0
Mexico	(67)	622.90	-24.7	-38.1	1,255.99	+1.7	-6.9
Peru[2]	(11)	179.78	-6.3	+48.7	237.24	-0.7	+49.2
Venezuela[3]	(12)	463.29	-1.6	-21.7	1,809.16	-1.7	+27.3
Asia	(558)	249.42	+2.8	-14.3			
China[4]	(18)	77.02	-3.0	-48.4	82.36	-3.3	-49.8
South Korea[5]	(156)	137.89	-1.0	+16.7	143.37	-1.3	+14.2
Philippines	(19)	300.45	+2.9	-11.8	350.53	+3.2	-21.1
Taiwan, China[6]	(90)	157.59	+1.0	+16.6	156.22	+0.9	+16.8
India[7]	(76)	123.41	-0.3	+5.9	137.61	-0.2	+6.8
Indonesia[8]	(38)	100.52	+3.8	-19.4	119.57	+3.9	-16.0
Malaysia	(104)	269.34	+4.3	-20.6	245.73	+4.3	-24.4
Pakistan[9]	(15)	354.09	-2.9	-8.7	494.14	-2.9	-6.4
Sri Lanka[10]	(5)	170.83	+1.4	-3.6	184.10	+1.6	-3.6
Thailand	(55)	386.32	+1.7	-19.1	385.33	+1.8	-20.3
Euro/Mid East	(125)	120.48	+0.2	-28.8			
Greece	(25)	222.47	-0.1	-2.3	367.47	+0.4	-4.4
Hungary[11]	(5)	156.00	+1.6	-6.4	214.62	+2.9	+6.3
Jordan	(13)	151.90	-1.0	-8.2	225.13	-0.8	-6.0
Poland[12]	(12)	456.11	-2.0	-44.2	699.18	-1.9	-36.7
Portugal	(25)	120.42	-1.8	+5.8	134.16	-1.1	-2.9
Turkey[13]	(40)	127.44	+1.4	-40.1	2,276.19	+1.5	+56.5
Zimbabwe[14]	(5)	245.01	-0.2	+21.2	302.57	-0.1	+41.6
Composite	(890)	308.51	-6.6	-13.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

The pattern of investment in the world's emerging markets throughout 1994 has been uneven, with many international fund managers turning cautious, *writes John Pitt*. This is reflected in the flow of funds, which has begun to slow down – from a peak of more than $205bn in 1993, direct and indirect investment in emerging markets this year is expected to be about $177bn. The recent trauma in Latin America has shown that even markets perceived as being on the threshold of maturity can conceal a sting in the tail. Turkey has remained one of the worst performing markets in 1994, although equities have clawed back some of their losses during the second half. Mr Tim Lee of GT Management notes that the current environment of negative real interest rates, easy liquidity and a currency still somewhat undervalued should provide a stable background. "However, this bull market should not be expected to last much beyond the next six months," says Mr Lee. "The makings of the next crisis are already in place: inflation is on the verge of a sharp acceleration which will lead to much higher interest rates and a monetary squeeze."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY DECEMBER 28 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY DECEMBER 27 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	175.18	1.6	166.14	111.15	143.33	149.76	1.4	3.85	172.39	165.26	109.44	141.32	147.70	189.15	160.18	160.18
Austria (16)	179.57	0.6	172.38	113.93	146.91	146.91	0.4	1.11	178.54	171.16	113.34	146.36	146.32	198.69	167.46	187.68
Belgium (35)	166.68	-0.3	159.98	105.75	136.37	132.92	-0.4	4.15	167.12	160.20	106.09	136.99	133.44	177.04	160.76	166.01
Brazil (28)	155.92	1.6	149.66	98.93	127.57	245.39	1.9	0.84	153.52	147.17	97.46	125.85	240.76	–	–	–
Canada (103)	129.31	0.0	124.11	82.04	105.79	131.37	0.2	2.63	129.26	123.91	82.06	105.96	131.04	145.31	120.54	134.79
Denmark (33)	248.00	1.2	238.03	157.35	202.90	208.30	1.0	1.43	245.09	234.95	155.59	200.91	208.15	275.79	236.61	251.47
Finland (24)	184.38	0.4	176.98	116.99	150.85	184.79	0.5	0.76	183.63	176.03	116.57	150.53	183.60	201.41	123.20	124.14
France (102)	163.31	-1.0	156.75	103.61	133.61	139.30	-1.2	3.08	165.01	158.19	104.76	135.27	140.95	185.37	159.34	178.97
Germany (58)	141.14	0.4	135.47	89.55	115.47	115.47	0.2	1.80	140.61	134.79	89.26	115.26	115.26	150.40	128.37	141.78
Hong Kong (56)	328.99	-0.3	315.77	208.74	269.17	326.90	-0.3	3.79	330.08	316.43	209.55	270.60	327.84	506.56	305.99	474.73
Ireland (14)	203.21	0.2	195.05	128.93	166.26	187.23	0.0	3.41	202.77	194.39	128.73	166.23	187.23	216.60	177.56	184.00
Italy (59)	73.45	-2.1	70.50	46.61	60.10	90.23	-1.9	1.75	75.01	71.91	47.62	61.49	91.99	97.78	65.87	69.66
Japan (468)	155.18	-0.2	148.95	98.46	126.97	98.46	-0.2	0.78	155.48	149.05	98.70	127.46	98.70	170.10	128.93	129.37
Malaysia (97)	479.89	-0.8	460.62	304.49	392.63	473.61	-0.9	1.78	484.32	464.29	307.46	397.03	477.85	621.63	430.71	586.09
Mexico (18)	1292.47	7.8	1240.54	820.05	1057.43	7489.54	1.1	1.37	1199.49	1149.87	761.47	983.29	7409.73	2647.08	1199.49	2383.11
Netherland (19)	214.00	-0.4	205.40	135.78	175.09	172.15	-0.5	3.39	214.81	205.92	136.37	176.09	172.99	223.30	191.28	201.30
New Zealand (14)	71.57	0.4	68.69	45.41	58.55	59.10	0.4	4.96	71.29	68.35	45.26	58.45	58.88	77.59	62.05	64.69
Norway (23)	210.36	1.1	201.91	133.47	172.11	196.10	0.9	1.69	207.97	199.36	132.02	170.48	194.28	211.74	177.53	182.02
Singapore (44)	373.95	-0.2	358.93	237.27	305.98	252.39	-0.2	1.70	374.89	359.39	238.00	307.33	252.92	401.38	294.66	369.74
South Africa (59)	333.40	0.0	320.00	211.53	272.77	298.40	0.6	2.21	333.33	319.54	211.61	273.25	298.52	342.00	205.55	253.68
Spain (38)	129.77	-0.3	124.55	82.33	106.17	130.96	-0.4	4.36	130.14	124.75	82.62	106.68	131.46	155.79	129.77	140.80
Sweden (36)	228.09	-1.0	218.92	144.72	186.61	253.33	-0.8	1.58	230.42	220.89	146.28	188.90	255.41	242.81	195.73	195.73
Switzerland (47)	163.78	-0.5	157.20	103.92	134.00	134.91	-0.7	1.81	164.59	157.79	104.49	134.93	135.79	176.56	149.91	163.94
Thailand (46)	157.52	-0.4	151.19	99.95	128.88	153.65	-0.3	2.41	158.10	151.56	100.37	129.60	154.18	–	–	–
United Kingdom (204)	194.14	0.3	186.34	123.18	158.84	186.34	0.4	4.14	193.57	185.57	122.89	158.69	185.57	214.96	181.11	208.39
USA (514)	188.46	-0.3	180.88	119.57	154.18	188.45	-0.3	2.94	189.11	181.29	120.05	155.02	189.11	196.04	178.95	191.67
Americas (683)	174.47	-0.2	167.46	110.70	142.74	146.23	-0.3	2.89	174.63	167.60	110.99	143.32	146.63	–	–	–
Europe (708)	167.51	-0.2	160.78	106.28	137.05	151.48	-0.2	3.09	167.83	160.88	106.54	137.58	151.79	178.58	160.59	172.07
Nordic (116)	221.63	-0.1	212.72	140.62	181.32	210.09	-0.1	1.41	221.98	212.78	140.91	181.95	210.22	233.91	189.51	190.75
Pacific Basin (793)	162.99	-0.1	156.44	103.41	133.35	107.62	-0.2	1.16	163.21	156.46	103.61	133.80	107.83	176.86	143.24	143.65
Euro-Pacific (1501)	164.77	-0.2	158.15	104.55	134.81	124.98	-0.2	1.98	165.04	158.21	104.77	135.29	125.22	175.14	154.70	155.31
North America (617)	184.79	-0.3	177.36	117.24	151.18	184.51	-0.3	2.93	185.39	177.73	117.69	151.98	185.11	192.73	175.67	188.14
Europe Ex. UK (504)	149.61	-0.5	143.60	94.93	122.40	130.89	-0.6	2.47	150.32	144.10	95.43	123.22	131.64	158.12	144.12	149.45
Pacific Ex. Japan (325)	240.52	0.1	230.86	152.61	196.79	210.55	0.1	3.16	240.19	230.26	152.48	196.91	210.36	286.21	224.17	279.25
World Ex. US (1709)	165.79	-0.1	159.13	105.19	135.64	128.52	-0.1	2.00	165.93	159.07	105.34	136.02	128.71	176.65	156.76	157.33
World Ex. UK (2019)	170.16	-0.2	163.32	107.96	139.21	143.04	-0.3	2.14	170.54	163.48	108.26	139.80	143.45	178.59	163.33	163.93
World Ex. Japan (1755)	183.29	-0.2	175.93	116.30	149.96	175.48	-0.2	2.97	183.60	176.01	116.56	150.51	175.84	195.20	176.34	189.46
The World Index (2223)	172.27	-0.2	165.35	109.30	140.94	146.94	-0.2	2.38	172.56	165.44	109.56	141.47	147.26	180.80	166.19	167.79

Latest prices were unavailable for this edition. Market closed 28/12/94: Ireland.

EUROPE

Domestic fears depress Paris, Madrid

Bourses were weakened in the morning by overnight losses on Wall Street and, in the afternoon, as the dollar and US bonds took over. However, the French and Spanish markets had their own problems at the end of the day, as actions designed to release fiscal and political tension had the reverse effect, *writes Our Markets Staff.*

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Dec 29 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1331.88	1331.31	1331.47	1332.05	1330.18	1327.84	1327.25	1327.46
FT-SE Eurotrack 200	1390.00	1390.98	1390.53	1389.82	1387.51	1385.90	1387.33	1384.97

	Dec 28	Dec 23	Dec 22	Dec 21	Dec 20
FT-SE Eurotrack 100	1346.89	1349.48	1347.88	1340.23	1333.21
FT-SE Eurotrack 200	1405.13	1404.73	1403.75	1395.60	1389.10

Base 1000 (26/10/90); High/day: 100 - 1332.99; 200 - 1391.71 Low/day: 100 - 1326.36 200 - 1384.58 † Partial

PARIS opened to a Bank of France offer of overnight money, aimed to reduce tension in the money markets. However, financials continued to lead the equity market down, said Mr Frederick Sauvegrain at Ferri, and the weakness in the sector over the past two days was justified at the close as commercial banks increased their base lending rates from 7.95 to 8.25 per cent.

The CAC-40 index dropped 33.68, or 1.75 per cent, to 1,894.15 in turnover of FFr2.5bn. Falls were widespread; but in financials Axa was down FFr8.10 to FFr250.80, BNP by another FFr4.70 to FFr249 and UAP by FFr4.30 more at FFr139.50.

Mr Sauvegrain conceded that there were other reasons for the day's fall: US influences; fears on the Algerian crisis; and a window dressing movement involving the selling of underperformers to leave the remainder of a given portfolio looking in better condition.

MADRID hit its third consecutive closing low, the general index ending 3.26 lower at 280.33, after 279.00. Bond markets dropped and the peseta hit a new low against the D-Mark.

Prior to this the prime minister, Mr Felipe González, rejected either calling early elections or resigning, saying that this would weaken Spain's financial markets.

Turnover was strong at Pta45.31bn. One exception to the day's equity retreat was Banesto, suspended for a time before the sale of its 50 per cent stake in the Portuguese bank, Banco Totta y Acores, was confirmed, but requoted later to close Pta34 higher on the day at Pta949 in volume of 1m shares.

FRANKFURT ignored comforting corporate and industrial news. The Dax index extended Wednesday's post bourse losses, ending with a session fall of 31.98 to 2,077.03 as turnover rose from DM3.5bn to DM3.9bn.

The bourse did not like the weak dollar, or the fall in US bonds which followed a higher than expected rise in November leading indicators. Bunds and bund futures followed their US counterparts down, and the Ibis-indicated Dax closed the afternoon at 2,074.68.

Carmakers dropped, Daimler by DM10.40 to DM752.10 and Volkswagen by DM10.30 to DM420, although VW produced a 7.9 per cent rise in car deliveries for November.

The worst fall in the Dax 30 was reserved for Karstadt, the department stores group, which shed DM21.50 at DM550. Analysts said that it was still priced at a strong premium to Kaufhof, with German consumption, weak in 1994, facing further erosion from the solidarity income tax surcharge starting next week.

AMSTERDAM dipped in response to lower bonds and the AEX index eased 0.34 to 414.47 in very thin trading.

Fokker, the aircraft manufacturer, took an early 14 per cent tumble in response to news of a management consultants report which concluded that the company might not survive unless it cut costs drastically. Later the shares picked up to finish 30 cents or 2.5 per cent down at Fl. 11.80 on speculative buying by individual domestic investors.

Polygram gained 70 cents to Fl 80.70 on heavy US buying.

ZURICH was lower as bonds weakened and with the day's economic data from the US triggering further late losses. The SMI index lost 27.4 to 2,628.8.

Among the financials, UBS bearers dropped SFr28 to SFr1,068 amid large sell orders, especially from foreign investors, on worries about an investigation into the price of packets of shares which changed hands in October.

Zurich Insurance was SFr10 down at SFr1,245 as the group said it was confident that its agreement with Sweden's Trygg-Hansa, to bail out Trygg's U.S. subsidiary, Home Holdings, would stand, in spite of reports of revised offers from a group of US investors.

Holderbank lost another SFr15 to SFr991 on continued concern over the impact of the company's exposure in Mexico.

A SFr2,500 or 7.3 per cent rise in Kuoni to SFr36,500 was attributed to speculation that there may be a change in the holding of the largest shareholder.

MILAN, with politics on the backburner, carried its correction into a second session after the strong run of the previous week, and the Comit index finished 9.09, or 1.4 per cent lower, at 625.00.

Ferruzzi lost L41 to L1,235 as speculation faded that it would announce the expected sale of Fondiaria by the end of the year.

Against the trend, Credito Romagnolo picked up L15 to L19,200 as the Bank of Italy gave the go-ahead to Cariplo's bid.

STOCKHOLM was lower, the Affärsvärlden index losing 3.1 to 1,460.0 in quiet, holiday conditions.

Trygg-Hansa, however, rose SKr2 to SKr82 as the insurer said that it had no comment on reports that US investors were planning revised offers for its Home Holdings subsidiary.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei edges ahead as Taipei recoups 1.2%

Tokyo

Small lot purchases by retail and overseas investors supported share prices, and the Nikkei index posted moderate gains in light volume, *writes Emiko Terazono in Tokyo.*

The 225 average rose 87.45 to 19,752.98 after a low of 19,509.15 and a high of 19,763.78. Arbitrage unwinding depressed share prices in the morning session, but arbitrage buying and blue chip buying by foreign investors supported the index later.

Volume totalled 210m shares against 254m. Individual investors focused on speculative favourites, while a European bank targeted blue chip electricals. Institutional investors remained sidelined ahead of the New Year holidays.

The Topix index of all first section stocks gained 2.55 to 1,554.34 and the Nikkei 300 rose 1.12 to 286.36. Losers outnumbered gainers by 597 to 398 with 157 unchanged and, in London, the ISE/Nikkei 50 index rose 0.05 to 1,286.49.

The dollar weakened against the yen, falling below the Y100 level. Some traders said that volatility on the currency market was a good test for the underlying strength of the stock market, and that the Nikkei could rise further in the new year if share prices manage to withstand the current rise in the yen.

The consensus among most analysts, however, seemed to be that share prices will hit a low in the first three months of the year, according to a survey by the Kyodo News Service. Of 30 analysts surveyed, 27 said that they expect the Nikkei index to hit a low of around 19,000 early next year, while 14 predicted that the average would rise to the 23,000 level in the second half.

Speculative issues gained ground. Pacific Metals, the most active issue of the day, rose Y27 to Y560 while Sakai Ovex gained Y33 to Y758.

Matsushita Electric Industrial rose Y20 to Y1,630 on foreign buying as did Nomura Securities, up Y20 to Y2,070.

Automobile makers were actively sought. Toyota Motor rose Y20 to Y2,090 while Nissan Motor gained Y15 to Y817.

In Osaka, the OSE average fell 27.37 to 21,629.23 in volume of 23.6m shares.

Roundup

The holiday season continued to limit activity in the Pacific Rim, where Seoul, Jakarta and Bombay were closed.

TAIPEI gained nearly 1.2 per cent in a rebound after two days of falls, led by financials, textiles and some speculative shares. The weighted index ended 79.60 higher at 7,027.43 in heavy turnover of T$88.76bn.

Financials recovered after a recent consolidation, China Development rising T$4 to T$144.50. Textiles responded to product price rises, with Tah Tong Textile up by its 7 per cent limit to T$42.30.

HONG KONG was lower on futures-linked selling but recovered from morning lows after local and UK bargain hunters stepped in as the firmer US dollar during the afternoon also helped sentiment. The Hang Seng index lost 72.20 or 0.9 per cent to 8,196.02 in turnover of HK$1.7bn, against Wednesday's HK$1.51bn.

SINGAPORE's Straits Times Industrials index finished 8.87 higher at 2,243.02 on last-minute advances by several key stocks but, overall, the session was weak and mixed.

KUALA LUMPUR saw further losses as volume slumped to 50.3m shares, the lowest this year. The composite index ended down 8.83 or 0.9 per cent, at 967.14, largely due to a 60-cent fall in Telekom Malaysia to M$17.00.

SYDNEY ended slightly weaker after being supported for most of the session by institutional buying of stocks whose options expired yesterday. The All Ordinaries index ended 2.7 lower at 1,992.8 after an intraday high of 1943.0.

Dealers said that institutions were caught short in BHP after its strong rally in recent days. This, combined with the strong performance of golds, underpinned a market which otherwise was weighed down by Wednesday's profit-taking on Wall Street.

WELLINGTON's leaders, Brierley apart, dragged the market down after Wall Street's overnight retreat, the NZSE-40 index closing 10.46 down at its low for the day of 1,909.37.

MANILA indulged in some light window-dressing, institutional investors picking up selected bargains in order to book higher values for their portfolios. The composite index rose 8.03 to at 2,785.81 in moderate turnover of 1.59bn pesos.

BANGKOK saw light selling after falls in key foreign markets and the announcement of a Thai import tax cut. The SET index closed 10.35 lower at 1,352.89 in turnover of Bt7.1bn.

KARACHI fell on profit-taking by short-term investors, the KSE 100 index losing 8.53 at 2,047.24.